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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2008

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to _____

Commission File Number 1-14643

STERIS Corporation

(Exact name of registrant as specified in its charter)

Ohio	**34-1482024**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
5960 Heisley Road, Mentor, Ohio	**44060-1834**
(Address of principal executive offices)	**(Zip code)**

440-354-2600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☒	Accelerated Filer ☐
Non-Accelerated Filer ☐	Smaller Reporting Company ☐
(Do not check if a smaller reporting company)	

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of common shares outstanding as of October 31, 2008: 58,877,451

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PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

STERIS CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2008 (Unaudited)	March 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 160,219	$ 51,868
Accounts receivable (net of allowances of $9,746 and $9,396, respectively)	210,997	249,814
Inventories, net	161,298	147,210
Current portion of deferred income taxes, net	24,878	29,033
Prepaid expenses and other current assets	21,246	35,451
Total current assets	578,638	513,376
Property, plant, and equipment, net	371,327	384,642
Goodwill and intangibles, net	321,120	337,980
Other assets	3,564	3,294
Total assets	$ 1,274,649	$ 1,239,292
Liabilities and shareholders' equity		
Current liabilities:		
Current portion of long-term indebtedness	$ 800	$ 700
Accounts payable	65,684	75,532
Accrued income taxes	365	23,039
Accrued payroll and other related liabilities	47,480	59,243
Accrued expenses and other	71,260	71,845
Total current liabilities	185,589	230,359
Long-term indebtedness	250,000	179,280
Deferred income taxes, net	29,384	5,902
Other liabilities	64,926	117,599
Total liabilities	529,899	533,140
Commitments and contingencies (see note 10)		
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common shares, without par value; 300,000 shares authorized; 70,040 shares issued; 59,399 and 59,263 shares outstanding, respectively	226,608	231,566
Common shares held in treasury, 10,641 and 10,777 shares, respectively	(279,610)	(279,841)
Retained earnings	767,350	721,331
Accumulated other comprehensive income	30,402	33,096
Total shareholders' equity	744,750	706,152
Total liabilities and shareholders' equity	$ 1,274,649	$ 1,239,292

See notes to consolidated financial statements.

STERIS CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Product	$203,856	$182,451	$399,438	$354,820
Service	119,271	112,551	235,254	221,126
Total revenues	323,127	295,002	634,692	575,946
Cost of revenues:				
Product	120,923	109,038	233,790	211,670
Service	69,841	65,756	138,038	128,468
Total cost of revenues	190,764	174,794	371,828	340,138
Gross profit	132,363	120,208	262,864	235,808
Operating expenses:				
Selling, general, and administrative	77,290	84,531	164,638	167,914
Research and development	8,068	8,531	16,347	17,790
Restructuring expenses	37	698	(129)	2,089
Total operating expenses	85,395	93,760	180,856	187,793
Income from continuing operations	46,968	26,448	82,008	48,015
Non-operating expenses (income):				
Interest expense	2,518	1,478	4,285	2,713
Interest and miscellaneous income	(540)	(614)	(922)	(1,076)
Total non-operating expenses, net	1,978	864	3,363	1,637
Income from continuing operations before income tax expense	44,990	25,584	78,645	46,378
Income tax expense	16,196	9,566	24,351	17,157
Net income	$ 28,794	$ 16,018	$ 54,294	$ 29,221
Net income per common share:				
Basic	$ 0.49	$ 0.25	$ 0.92	$ 0.45
Diluted	$ 0.48	$ 0.25	$ 0.90	$ 0.45
Cash dividends declared per common share outstanding	$ 0.08	$ 0.06	$ 0.14	$ 0.11

See notes to consolidated financial statements.

STERIS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended September 30,	
	2008	2007
Operating activities:		
Net income	$ 54,294	$ 29,221
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	29,575	31,484
Deferred income taxes	3,790	(2,571)
Share based compensation	3,843	4,169
(Gain) loss on the disposal of property, plant, equipment and intangibles, net	(1,084)	723
Other items	(1,517)	(14)
Changes in operating assets and liabilities, excluding the effects of business acquisitions:		
Accounts receivable, net	34,247	43,683
Inventories, net	(19,318)	(20,755)
Other current assets	13,476	(593)
Accounts payable	(8,478)	(15,808)
Accruals and other, net	(40,137)	(16,371)
Net cash provided by operating activities	68,691	53,168
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	(20,872)	(21,591)
Proceeds from the sale of property, plant, equipment, and intangibles	9,506	31
Net cash used in investing activities	(11,366)	(21,560)
Financing activities:		
Proceeds from the issuance of long-term obligations	150,000	—
(Payments) proceeds under credit facilities, net	(79,180)	24,090
Deferred financing fees and debt issuance costs	(476)	(443)
Repurchases of common shares	(50,210)	(54,476)
Cash dividends paid to common shareholders	(8,275)	(7,112)
Stock option and other equity transactions, net	32,956	10,619
Tax benefit from stock options exercised	8,732	2,389
Net cash provided by (used in) financing activities	53,547	(24,933)
Effect of exchange rate changes on cash and cash equivalents	(2,521)	2,592
Increase in cash and cash equivalents	108,351	9,267
Cash and cash equivalents at beginning of period	51,868	52,296
Cash and cash equivalents at end of period	$160,219	$ 61,563

See notes to consolidated financial statements.

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
For the Three and Six Months Ended
September 30, 2008 and 2007
(dollars in thousands, except per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

STERIS Corporation, an Ohio corporation, develops, manufactures and markets infection prevention, contamination control, microbial reduction, and surgical and critical care support products and services for healthcare, pharmaceutical, scientific, research, industrial, and governmental Customers throughout the world. As used in this Quarterly Report, STERIS Corporation and its subsidiaries together are called "STERIS," the "Company," "we," "us," or "our," unless otherwise noted.

We operate in three reportable business segments: Healthcare, Life Sciences, and STERIS Isomedix Services ("Isomedix"). We describe our business segments in note 11 to our consolidated financial statements titled, "Business Segment Information." Our fiscal year ends on March 31. References in this Quarterly Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

Interim Financial Statements

We prepared the accompanying unaudited consolidated financial statements of the Company according to accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. This means that they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Our unaudited interim consolidated financial statements contain all material adjustments (including normal recurring accruals and adjustments) management believes are necessary to present fairly the financial condition, results of operations, and cash flows for the periods presented.

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the Securities and Exchange Commission ("SEC") on May 30, 2008. The Consolidated Balance Sheet at March 31, 2008 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Principles of Consolidation

We use the consolidation method to report our investment in our subsidiaries. Consolidation means that we combine the accounts of our wholly-owned subsidiaries with our accounts. We eliminate inter-company accounts and transactions when we consolidate these accounts.

Use of Estimates

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three- and six-month periods ended September 30, 2008 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2009.

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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Recently Adopted Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 ("SFAS No. 157"), "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with U.S. GAAP, and expands disclosures about fair value measurements. SFAS No. 157 does not require new fair value measurements, rather it applies under existing accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 and requires prospective adoption as of the beginning of the fiscal year.

In February 2008, the FASB issued FASB Staff Position No. 157-1 ("FSP 157-1"), "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement Under Statement 13" and FASB Staff Position No. 157-2 ("FSP 157-2"), "Effective Date of Statement 157." FSP 157-1 removed leasing transactions accounted for under FASB Statement No. 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 deferred the effective date of SFAS No. 157 for all nonfinancial assets and liabilities to fiscal years beginning after November 15, 2008. We adopted the required provisions of SFAS No. 157 for financial assets and liabilities on April 1, 2008. The adoption of the standard did not have a material impact on our consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 ("SFAS No. 159"), "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115," which permits entities to make an irrevocable election to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. The fair value option may be applied instrument by instrument and must be applied to entire instruments. Unrealized gains and losses arising after adoption are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We adopted SFAS No. 159 on April 1, 2008 and did not elect to measure any additional financial instruments or other items at fair value.

New Accounting Pronouncements

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161 ("SFAS No. 161"), "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." SFAS No. 161 requires disclosures regarding how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. We are currently evaluating the impact of SFAS No. 161 on our consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007) ("SFAS No. 141R"), "Business Combinations." SFAS No. 141R retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. SFAS No. 141R will impact financial statements on the acquisition date and in subsequent periods, as well as prior to the acquisition date because of the accounting treatment for acquisition-related costs. The provisions of SFAS No. 141R are to be applied prospectively to business combinations completed in fiscal years beginning after December 15, 2008.

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 ("SFAS No. 160"), "Noncontrolling Interests in Consolidated Financial Statements—Including an Amendment of ARB No. 51." SFAS No. 160 recharacterizes minority interests as noncontrolling interests and requires these interests to be classified as a separate component of equity in our consolidated financial statements. Purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income related to the noncontrolling interests will be included in our consolidated net income and, upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. The provisions of SFAS No. 160 will be applied prospectively, except for the presentation and disclosure requirements, which will apply retrospectively, and are effective for the first annual reporting period beginning after December 15, 2008. We are currently evaluating the impact of adopting SFAS No. 160 on our consolidated financial statements.

Significant Accounting Policies

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2008.

2. Restructuring

The following summarizes our restructuring plans announced in fiscal years 2008, 2007, and 2006. We recognize restructuring expenses as incurred as required under the provisions of Statement of Financial Accounting Standards No. 146 ("SFAS No. 146"), "Accounting for Costs Associated with Exit or Disposal Activities." In addition, we assess the property, plant and equipment associated with the related facilities for impairment under Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or Disposal of Long-Lived Assets." Additional information regarding our respective restructuring plans is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

Fiscal 2008 Restructuring Plan

During the fourth quarter of fiscal 2008, we announced an expense reduction initiative which was primarily focused on our North American operations, and was intended to enhance our profitability and improve efficiency by reducing ongoing operating costs (the "Fiscal 2008 Restructuring Plan"). We did not incur any significant restructuring expenses related to the Fiscal 2008 Restructuring Plan in the three and six months ended September 30, 2008, and we settled certain termination benefits for less than originally expected.

Since the inception of the Fiscal 2008 Restructuring Plan, we have incurred pre-tax restructuring expenses totaling $15,792 related to these actions, of which $11,700 was recorded as restructuring expenses and $4,092 was recorded in cost of revenues, with restructuring expenses of $13,122, $1,490, $429, and $751 related to the Healthcare, Life Sciences, and Isomedix reporting segments, and Corporate and other, respectively. We do not expect to incur any significant additional restructuring expenses related to the Fiscal 2008 Restructuring Plan.

European Restructuring Plan

During the third quarter of fiscal 2007, we adopted a restructuring plan related to certain of our European operations (the "European Restructuring Plan"). In the first quarter of fiscal 2009, we settled the remaining

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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obligations associated with this plan, incurring $99 in pre-tax restructuring expenses related to a lease termination obligation. Since the inception of the European Restructuring Plan, we have incurred pre-tax restructuring expenses totaling $1,887 related to these actions, with restructuring expenses of $1,353 and $534 related to the Healthcare and Life Sciences reporting segments, respectively.

Fiscal 2006 Restructuring Plan

During fiscal 2006, we announced the transfer of the Erie, Pennsylvania manufacturing operations to Monterrey, Mexico and other restructuring actions (the "Fiscal 2006 Restructuring Plan"), which were intended to improve our cost structure. We did not incur any restructuring expenses related to the Fiscal 2006 Restructuring Plan during the three and six months ended September 30, 2008, and settled certain severance payment obligations for less than originally expected. During the three and six months ended September 30, 2007, we recorded $733 and $2,123, respectively, in pre-tax restructuring expenses related to this plan, primarily for the transfer of manufacturing operations, which were associated with our Healthcare business segment.

Since the inception of the Fiscal 2006 Restructuring Plan, we have incurred pre-tax restructuring expenses of $33,637, with restructuring expenses of $33,223 and $414 related to the Healthcare and Life Sciences segments, respectively. We do not expect to incur any significant additional restructuring expenses related to the Fiscal 2006 Restructuring Plan.

The following tables summarize our total restructuring expenses for the second quarter and first half of fiscal 2009 and fiscal 2008:

Three Months Ended September 30, 2008	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ 29	$ —	$ (29)	$ —
Lease termination obligations	37	—	—	37
Total restructuring charges	$ 66	$ —	$ (29)	$ 37

Three Months Ended September 30, 2007	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ —	$ (24)	$ —	$ (24)
Asset impairment and accelerated depreciation	—	—	729	729
Lease termination obligations	—	(11)	—	(11)
Other	—	—	4	4
Total restructuring charges	$ —	$ (35)	$ 733	$ 698

Six Months Ended September 30, 2008	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ (87)	$ —	$ (178)	$(265)
Lease termination obligations	37	99	—	136
Total restructuring charges	$ (50)	$ 99	$ (178)	$(129)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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Six Months Ended September 30, 2007	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ —	$ (23)	$ 332	$ 309
Asset impairment and accelerated depreciation	—	—	1,800	1,800
Lease termination obligations	—	(11)	(13)	(24)
Other	—	—	4	4
Total restructuring charges	$ —	$ (34)	$ 2,123	$2,089

Liabilities related to our restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within “Accrued payroll and other related liabilities” and “Accrued expenses and other.” The following table summarizes our liabilities related to these restructuring activities:

	Fiscal 2008 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments/ Impairments	September 30, 2008
Severance and termination benefits	$ 4,244	$ (87)	$ (2,810)	$ 1,347
Asset impairments	492	—	—	492
Lease termination obligations	898	37	(37)	898
Other	609	—	—	609
Total	$ 6,243	$ (50)	$ (2,847)	$ 3,346

	European Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments	September 30, 2008
Lease termination obligation	$ 247	$ 99	$ (346)	$ —
Total	$ 247	$ 99	$ (346)	$ —

	Fiscal 2006 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments	September 30, 2008
Severance and termination benefits	$ 879	$ (178)	$ (580)	$ 121
Total .	$ 879	$ (178)	$ (580)	$ 121

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
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3. Comprehensive Income

Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," establishes standards for reporting comprehensive income. Comprehensive income includes net income as currently reported under U.S. GAAP and other comprehensive income. Other comprehensive income considers the effects of additional economic events that are not required to be recorded in determining net income, but rather are reported as a separate component of shareholders' equity. The following table illustrates the components of our comprehensive income:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Net income	$ 28,794	$16,018	$ 54,294	$29,221
Cumulative foreign currency translation adjustment	(23,769)	11,059	(24,370)	17,190
Reduction in the unrecognized postretirement benefit plan obligation, net of taxes	22,194	—	22,194	—
Amortization of pension and postretirement benefit plans costs, net of taxes	(494)	323	(245)	645
Unrealized losses on investments	(152)	(17)	(273)	(4)
Total comprehensive income	$ 26,573	$27,383	$ 51,600	$47,052

The reduction in the unrecognized postretirement benefit plan obligation, net of taxes recorded in the three-month and six-month periods ended September 30, 2008 is a result of amending and restating our United States postretirement welfare benefits plan during the second quarter of fiscal 2009. We provide additional information regarding the amendment and restatement of our United States postretirement welfare benefits plan in note 9 to our consolidated financial statements titled, "Benefit Plans."

4. Property, Plant and Equipment

Information related to the major categories of our depreciable assets is as follows:

	September 30, 2008	March 31, 2008
Land and land improvements (1)	$ 26,178	$ 26,696
Buildings and leasehold improvements	182,412	184,921
Machinery and equipment	271,546	271,646
Information systems	91,122	126,741
Radioisotope	155,702	148,738
Construction in progress (1)	37,750	38,065
Total property, plant, and equipment	764,710	796,807
Less: accumulated depreciation and depletion	(393,383)	(412,165)
Property, plant, and equipment, net	$ 371,327	$ 384,642

(1) Land is not depreciated. Construction in progress is not depreciated until placed in service.

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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(dollars in thousands, except per share amounts)

5. Inventories, Net

Inventories, net are stated at the lower of cost or market. We use the last-in, first-out ("LIFO") and first-in, first-out ("FIFO") cost methods. An actual valuation of inventory under the LIFO method is made only at the end of the fiscal year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and are subject to the final fiscal year-end LIFO inventory valuation. Inventory costs include material, labor, and overhead. Inventories, net consisted of the following:

	September 30, 2008	March 31, 2008
Raw materials	$ 43,552	$ 44,195
Work in process	29,928	28,158
Finished goods	87,818	74,857
Inventories, net	$ 161,298	$147,210

6. Debt

Indebtedness was as follows:

	September 30, 2008	March 31, 2008
Private Placement	$ 250,000	$100,000
Credit facility	—	79,180
Other debt	800	800
Total	250,800	179,980
Less: current portion	800	700
Long-term portion	$ 250,000	$179,280

On August 15, 2008, we issued $150,000 of senior notes in a private placement (the "August 2008 Private Placement") to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. We have used and will use the proceeds for general corporate purposes, including repayment of debt, capital expenditures, acquisitions, dividends, and share repurchases. Of the $150,000 notes, $30,000 have a maturity of 5 years at an annual interest rate of 5.63%, another $85,000 have a maturity of 10 years at an annual interest rate of 6.33%, and the remaining $35,000 have a maturity of 12 years at an annual interest rate of 6.43%.

Also on August 15, 2008, we signed an amendment to various note purchase agreements, each dated December 17, 2003, that we previously entered into for the issuance of $100,000 of senior notes in a private placement (the "December 2003 Private Placement"). This amendment, which was signed by a majority in aggregate principal amount of the holders of the December 2003 Private Placement notes, modified the respective note purchase agreements primarily as they pertained to liens, electronic delivery of financial information and notices, and certain provisions regarding an intercreditor agreement.

Additional information regarding our indebtedness is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

STERIS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)
For the Three and Six Months Ended
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(dollars in thousands, except per share amounts)

7. Additional Consolidated Balance Sheets Information

Additional information related to our Consolidated Balance Sheets is as follows:

	September 30, 2008	March 31, 2008
Accrued payroll and other related liabilities:		
Compensation and related items	$ 15,116	$ 17,500
Accrued vacation .	12,924	14,085
Accrued bonuses	7,511	8,658
Accrued employee commissions	5,985	11,263
Other postretirement benefit plan obligation-current portion	5,129	6,824
Other employee benefit plans' obligations-current portion	815	913
Total accrued payroll and other related liabilities	$ 47,480	$ 59,243
Accrued expenses and other:		
Deferred revenues	$ 26,310	$ 24,833
Self-insured risk retention-GRIC-current portion	5,328	4,586
Other self-insured risks	542	850
Accrued dealer commissions	6,086	6,398
Accrued warranty	8,098	7,825
Other	24,896	27,353
Total accrued expenses and other	$ 71,260	$ 71,845
Other liabilities:		
Self-insured risk retention-GRIC-long-term portion	$ 11,814	$ 11,814
Other postretirement benefit plan obligation-long-term portion	30,532	75,889
Defined benefit pension plans' obligations	11,724	14,058
Other employee benefit plans' obligations-long-term portion	1,176	1,314
Minority interest in joint venture	429	323
Accrued long-term income taxes	9,251	14,201
Total other liabilities	$ 64,926	$117,599

8. Income Tax Expense

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates from continuing operations for the three-month periods ended September 30, 2008 and 2007 were 36.0% and 37.4%, respectively. For the six-month periods ended September 30, 2008 and 2007, the effective income tax rates from continuing operations were 31.0% and 37.0%, respectively. The lower effective income tax rate for the three-month and six-month periods ended September 30, 2008 resulted principally from discrete item adjustments due to the settlement of certain tax years under examination in the United States.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate,

we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

As of March 31, 2008, we had $10,455 in unrecognized tax benefits, of which $5,937 would favorably impact the effective tax rate if recognized. As of September 30, 2008, we had $7,592 in unrecognized tax benefits, of which $3,510 would impact the effective tax rate if recognized. There were no significant changes to any of these amounts during the three-month period ended September 30, 2008. The decrease in the unrecognized tax benefits for the six-month period ended September 30, 2008 is primarily due to the effective settlement of United States audit examinations for fiscal 2002 through fiscal 2005, partially offset by an increase in unrecognized tax benefits relating to prior years. We currently do not anticipate any significant increase or decrease in unrecognized tax benefits within 12 months of September 30, 2008. As of September 30, 2008, we have recognized a liability for interest of $1,103 and penalties of $556.

We file income tax returns in the United States and in various state, local, and foreign jurisdictions. For United States federal income tax purposes, we are closed through examination for years before fiscal 2006. With limited exceptions, we are no longer subject to state and local income tax examinations within the United States, or income tax examinations outside the United States for years before fiscal 2003.

9. Benefit Plans

We provide defined benefit pension plans for certain manufacturing and plant administrative personnel throughout the world as determined by collective bargaining agreements or employee benefit standards. In addition to providing pension benefits to certain employees, we sponsor an unfunded postretirement welfare benefits plan for two groups of United States employees including the same employees who receive pension benefits under the United States defined benefit pension plans. Benefits under this plan include retiree life insurance and retiree medical coverage, including prescription drug coverage. Additional information regarding our defined benefit pension plans and other postretirement benefits plan is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

During the second quarter of fiscal 2009, we amended and restated our unfunded United States postretirement welfare benefits plan, reducing the benefits to be provided to retirees under the plan and increasing their share of the costs. As a result, the accumulated postretirement benefit obligation was re-measured. We also re-evaluated the actuarial assumptions, but made no changes to the assumptions used at March 31, 2008. The re-measurement resulted in a decrease of $46,522 in the accumulated postretirement benefit obligation (decreases of $1,695 and $44,827 in the current and long-term portions of the accumulated postretirement benefit obligation, respectively), an increase of $24,328 in long-term deferred income taxes, net, and an increase of $22,194 in accumulated other comprehensive income. The impact of this change was recognized in our Consolidated Balance Sheets in the second quarter of fiscal 2009 and will be amortized as a component of the annual net periodic benefit cost over a period of approximately nine years.

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Components of the net periodic benefit cost of our defined benefit pension plans and other postretirement medical benefit plan were as follows:

	Defined Benefit Pension Plans				Other Postretirement Benefits Plan	
	United States Qualified		International			
Three Months Ended September 30,	2008	2007	2008	2007	2008	2007
Service cost	$ 53	$ 27	$ 114	$ 115	$ —	$ —
Interest cost	690	702	134	76	506	1,161
Expected return on plan assets	(718)	(802)	(148)	(110)	—	—
Recognized losses	159	103	—	—	363	247
Amortization of transition obligation	(28)	(28)	—	—	—	—
Prior service cost	—	—	—	—	(1,295)	—
Net periodic benefit cost	$ 156	$ 2	$ 100	$ 81	$ (426)	$ 1,408

	Defined Benefit Pension Plans				Other Postretirement Benefits Plan	
	United States Qualified		International			
Six Months Ended September 30,	2008	2007	2008	2007	2008	2007
Service cost	$ 105	$ 53	$ 227	$ 231	$ —	$ —
Interest cost	1,381	1,403	269	152	1,691	2,322
Expected return on plan assets	(1,437)	(1,603)	(295)	(220)	—	—
Recognized losses	318	206	—	—	639	494
Amortization of transition obligation	(55)	(55)	—	—	—	—
Prior service cost	—	—	—	—	(1,295)	—
Net periodic benefit cost	$ 312	$ 4	$ 201	$ 163	$ 1,035	$ 2,816

We contribute amounts to the defined benefit pension plans at least sufficient to meet the minimum requirements as stated in applicable employee benefit laws and local tax laws. We record liabilities for the difference between the fair value of the plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement benefits plans) on our accompanying Consolidated Balance Sheets.

As a result of current market and economic instability, the values of the assets held by our two defined benefit pension plans have declined since March 31, 2008. Although the specific impact of these declines has not been determined at this time, these developments may negatively impact the funded status of the plans and result in an increase in required contributions.

10. Contingencies

We are, and will likely continue to be involved in a number of legal proceedings and claims, which we believe generally arise from the ordinary course of our business, given our size, history, complexity, and the nature of our business, Customers, regulatory environment, and industries in which we participate. These legal proceedings and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles,

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chemicals), economic loss (e.g., breach of contract, other commercial claims), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

In accordance with Statement of Accounting Standards No. 5 ("SFAS No. 5"), "Accounting for Contingencies," we record accruals for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have estimated the likelihood of unfavorable outcomes and the amounts of such potential losses. In management's opinion, the ultimate outcome of these proceedings and claims is not expected to have a material adverse effect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of claims, litigation, and other proceedings is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery.

The FDA and the United States Department of Justice have been conducting an investigation to our knowledge since 2003 involving our STERIS SYSTEM 1® sterile processing system. We have received requests for documents, including the subpoena received in January 2005, and are aware of interviews of current and former employees in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance of the ultimate outcome of the investigation, or that any matter arising out of the investigation will not result in actions by the government agencies or third parties, or that the government agencies will not initiate administrative proceedings, civil proceedings, or criminal proceedings, or any combination thereof, against us.

On May 16, 2008, we received a warning letter (the "warning letter") from the FDA regarding our STERIS SYSTEM 1 sterile processor and the STERIS™ 20 sterilant used with the processor (referred to collectively in the FDA letter and in this note as the "device"). We believe this warning letter arose from the previously disclosed investigation. In summary, the warning letter included the FDA's assertion that significant changes or modifications have been made in the design, components, method of manufacture, or intended use of the device beyond the FDA's 1988 clearance, such that the FDA believes a new premarket notification submission (known within FDA regulations as a 510(k) submission) should have been made. The warning letter referenced a number of changes to the device that, according to the FDA, require a new premarket notification submission, and asserted that our failure to make such a submission resulted in violations of applicable law. The warning letter also requested documentation and explanation regarding various corrective actions related to the device prior to 2003, and whether those actions should be considered corrections or removals requiring notice under applicable FDA regulations. On July 30, 2008 (with an Addendum on October 9, 2008), we provided a detailed response contending that the assertions in the warning letter are not correct.

On November 4, 2008, we received a letter from the FDA (dated November 3, 2008) in which the FDA stated without elaboration that, after reviewing our response, it disagreed with our position and that a new premarket notification submission is required. The agency did not address the removal and correction reporting issues and invited a meeting with STERIS to discuss the warning letter, based on our earlier request. After discussions with the FDA regarding the November 3rd letter, we received an additional letter on November 6, 2008 from the FDA. The November 6th letter stated that the intent of the November 3rd letter was to inform us of the FDA's preliminary disagreement with our response to the warning letter and, before finalizing a position, the FDA reiterated that it wanted to meet with us to discuss the Company's response, issues related to the warning letter and next steps to resolve any differences between the Company and the FDA.

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We continue to believe that the changes described in the warning letter from the FDA do not significantly affect the safety or effectiveness of the device and, therefore, did not and do not require a new premarket notification submission, and further, that the corrective actions were compliant with FDA regulations. However, if the FDA's assertions are ultimately determined to be correct, the device would be considered adulterated and misbranded under United States law, in which case, we would be required to make a new premarket notification submission. The FDA also could take enforcement action immediately without providing the opportunity to make a new 510(k) submission. If we did not make that 510(k) submission, if the FDA rejected that 510(k) submission, if the FDA took immediate enforcement action, or if governmental agencies and/or third parties otherwise considered the device to be non-compliant, civil, administrative, or criminal proceedings could be initiated. These or other proceedings involving our STERIS SYSTEM 1 sterile processing system and the STERIS 20 sterilant, a significant product to us, could possibly result in judgments requiring re-labeling or restriction on the manufacturing, sale, or distribution of products, or could require us to take other actions, including recalls, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. We intend to meet with the FDA to discuss our position and to seek resolution of any issues regarding the warning letter.

The STERIS SYSTEM 1 sterile processing system has been in use since its clearance by the FDA in the late 1980's. We estimate that the devices currently in operation are used by approximately 5,000 users in excess of 30,000 times per day in the aggregate and that over 250 million medical instruments have been processed using the STERIS SYSTEM 1 sterile processing system. For additional information regarding this matter, see the following portions of our Annual Report on Form 10-K for the year ended March 31, 2008 filed with the SEC on May 30, 2008: "Business – Information with respect to our Business in General – Recent Events – Government Regulations", "Risk Factors – We are subject to extensive regulatory requirements and must receive and maintain regulatory clearance or approval for many products and operations. Failure to receive or maintain, or delays in receiving, clearance or approvals may hurt our revenues, profitability, financial condition or value", and Item 1A of this Form 10-Q, "Risk Factors – We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters."

We believe we have adequately reserved for our current litigation and that the ultimate outcome of pending lawsuits and claims will not have a material adverse affect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, claims, proceedings, investigations, including the previously discussed investigation, or their effect. We presently maintain product liability insurance coverage, and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us. Additional information regarding our contingencies is included in Item 2 titled, "Management's Discussion and Analysis of Financial Conditions and Results of Operations" contained in this Quarterly Report on Form 10-Q.

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

Except as noted above, we believe there have been no material recent developments concerning our legal proceedings since March 31, 2008 and no new material pending legal proceedings are required to be reported.

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We are subject to taxation from United States federal, state, and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. We describe income taxes further in note 8 to our consolidated financial statements titled, “Income Tax Expense” and in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

11. Business Segment Information

We operate and report in three business segments: Healthcare, Life Sciences, and Isomedix. “Corporate and other,” which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs.

Our Healthcare segment manufactures and sells capital equipment, accessory, consumable, and service solutions to healthcare providers, including acute care hospitals and surgery centers. These solutions aid our Customers in improving the safety, quality, and productivity of their surgical, sterile processing, gastrointestinal, and emergency environments.

Our Life Sciences segment manufactures and sells engineered capital equipment, formulated cleaning chemistries, and service solutions to pharmaceutical companies, and public and private research facilities around the globe.

Our Isomedix segment operates through a network of 20 facilities located in North America. We sell a comprehensive array of contract sterilization services using Gamma Irradiation, Electron Beam Irradiation, and ethylene oxide (“EO”) technologies. We provide sterilization, microbial reduction, and materials modification services to companies that supply products to the healthcare, industrial, and consumer products industries.

Operating income (loss) for each segment is calculated as the segment’s gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs to the segments. The Corporate and other segment includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie, Pennsylvania manufacturing operation. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment.

The accounting policies for reportable segments are the same as those for the consolidated Company. Individual facilities, equipment and intellectual properties are utilized for production for multiple segments at varying levels over time. For the three and six months ended September 30, 2008, revenues from a single Customer did not represent ten percent or more of any reportable segment’s revenues. Additional information regarding our segments is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

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Financial information for each of our segments is presented in the following tables:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
Healthcare	$227,836	$206,684	$451,901	$402,375
Life Sciences	57,151	52,323	105,190	99,025
STERIS Isomedix Services	36,971	34,793	73,834	70,265
Total reportable segments	321,958	293,800	630,925	571,665
Corporate and other	1,169	1,202	3,767	4,281
Total revenues	$323,127	$295,002	$634,692	$575,946
Operating income (loss):				
Healthcare	$ 32,698	$ 21,598	$ 61,928	$ 39,530
Life Sciences	6,228	3,369	7,275	3,638
STERIS Isomedix Services	10,211	7,081	18,398	14,802
Total reportable segments	49,137	32,048	87,601	57,970
Corporate and other	(2,169)	(5,600)	(5,593)	(9,955)
Total operating income	$ 46,968	$ 26,448	$ 82,008	$ 48,015

For the three months ended September 30, 2008, operating results of the Life Sciences and Isomedix reporting segments include pre-tax restructuring expenses of $3 and $54, respectively and the operating results of the Healthcare reporting segment includes pre-tax restructuring expenses of negative $15. For the three months ended September 30, 2007, operating results of the Healthcare and Life Sciences segments include pre-tax restructuring expenses of $694 and $4, respectively. For the six months ended September 30, 2008, operating results of the Life Sciences and Isomedix reporting segments include pre-tax restructuring expenses of $3 and $40, respectively, and the operating results of the Healthcare reporting segment and Corporate and other include pre-tax restructuring expenses of negative $163 and $1 respectively. For the six months ended September 30, 2007, operating results of the Healthcare and Life Sciences segments include pre-tax restructuring expenses of $2,085 and $4, respectively.

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Financial information for our United States and international geographic areas is presented in the following table. Revenues are based on the location of our Customers. Long-lived assets are those assets that are identified within the operations in each geographic area, including property, plant, equipment, goodwill, intangibles, and other assets.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
Revenues:				
United States	$ 245,139	$ 227,466	$ 486,358	$ 449,455
International	77,988	67,536	148,334	126,491
Total revenues	$ 323,127	$ 295,002	$ 634,692	$ 575,946

	September 30, 2008	March 31, 2008
Long-lived assets:		
United States	$ 546,643	$ 559,305
International	149,368	166,611
Total long-lived assets	$ 696,011	$ 725,916

12. Common Shares

Basic earnings per common share are calculated based upon the weighted average number of common shares outstanding. Diluted earnings per common share are calculated based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. The following table summarizes the common shares and common share equivalents outstanding used to calculate basic and diluted earnings per common share:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
	(shares in thousands)			
Weighted average common shares outstanding—basic	59,312	64,207	59,003	64,612
Dilutive effect of common share equivalents	1,064	840	1,008	866
Weighted average common shares outstanding and common share equivalents—diluted	60,376	65,047	60,011	65,478

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Options to purchase the following number of common shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per common share because the combined exercise prices, unamortized fair values, and assumed tax benefits upon exercise were greater than the average market price for the common shares during the periods, so including these options would be anti-dilutive:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2008	2007	2008	2007
	(shares in thousands)			
Number of common share options	719	1,305	849	1,194
Weighted average exercise price	$ 35.00	$ 28.30	$ 32.11	$ 28.31

13. Repurchases of Common Shares

During the first half of fiscal 2009, we paid for the repurchase of 1,645,900 of our common shares for an aggregate amount of $50,210, representing an average price of $30.51 per common share This includes certain March 2008 repurchases of 225,000 of our common shares for an aggregate amount of $6,028 that were not settled until April 2008.

At September 30, 2008, $234,120 in shares of our common stock remained authorized for repurchase and 10,640,637 common shares were held in treasury. We provide additional information regarding common share repurchases in note 18 to our consolidated financial statements titled, “Subsequent Events.”

14. Share-Based Compensation

STERIS has a long-term incentive plan that makes available up to 6,600,000 common shares for grant at the discretion of the Compensation Committee of the Board of Directors to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, and stock appreciation rights. STERIS previously granted stock options under various other plans. Stock options provide the right to purchase our common shares at the market price on the date of grant, subject to the terms of the option plans and agreements. Generally, stock options granted become exercisable in 25% increments for each full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or earlier if the option holder ceases to be employed by us. Certain option agreements have provisions that provide for an adjustment to the normal vesting schedule allowing the options to vest on a prorated basis as defined by the agreement in the event of employment termination. Restricted shares and restricted share units generally cliff vest over an approximately three-year period. As of September 30, 2008, 4,609,215 shares remain available for grant under the long-term incentive plan.

We account for share-based compensation grants in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004) (“SFAS No. 123R”), “Share-Based Payment.” We estimate the fair value of share-based awards on the date of the grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of revenues or selling, general and administrative expenses in a manner consistent with the employee’s compensation and benefits.

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Compensation cost recognized in the first six months of fiscal 2009 and fiscal 2008 includes (a) compensation cost for all share-based compensation granted, but not yet vested, as of April 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," and (b) compensation cost for all share-based compensation granted on or subsequent to April 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R.

Total share based compensation expense recognized during the second quarter and first half of fiscal 2009 was $1,955 and $3,843, respectively, before income taxes ($1,222 and $2,402, respectively, net of income taxes). Total share based compensation expense recognized during the second quarter and first half of fiscal 2008 was $2,554 and $4,169, respectively, before income taxes ($992 and $1,568, respectively, net of income taxes).

The fair value of share based compensation awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different.

The following weighted-average assumptions were used for options granted during the first half of fiscal 2009 and fiscal 2008:

	Fiscal 2009	Fiscal 2008
Risk-free interest rate	2.65%	5.04%
Expected life of options	5.64 years	5.53 years
Expected dividend yield of stock	0.86%	0.93%
Expected volatility of stock	27.73%	29.66%

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of options is reflective of historical experience, vesting schedules and contractual terms. The expected dividend yield of stock represents our best estimate of the expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a timeframe similar to that of the expected life of the grant. We applied an estimated forfeiture rate of 2.2 percent for fiscal 2007 through the first quarter of fiscal 2008, then 2.49 percent from the second quarter of fiscal 2008 through the fourth quarter of fiscal 2008, and beginning in the first quarter of fiscal 2009, 2.86 percent. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

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Stock option activity for the first half of fiscal 2009 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2008	5,102,912	$ 22.76		
Granted	532,700	31.04		
Exercised	(1,781,910)	20.74		
Forfeited	(107,880)	28.13		
Outstanding at September 30, 2008	3,745,822	$ 24.74	6.44	$ 48,112
Exercisable at September 30, 2008	2,495,929	$ 22.95	5.27	$ 36,521

The aggregate intrinsic value in the table above represents the total pre-tax difference between the $37.58 closing price of our common shares on September 30, 2008 over the exercise price of the stock option, multiplied by the number of options outstanding or outstanding and exercisable, as applicable. Under SFAS No. 123R, the aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of our common shares.

The total intrinsic value of stock options exercised during the first half of fiscal 2009 and fiscal 2008 was $24,254 and $6,206, respectively. Net cash proceeds from the exercise of stock options were $32,956 and $10,619 for the first half of fiscal 2009 and fiscal 2008, respectively. An income tax benefit of $8,732 and $2,389 was realized from stock option exercises during the first half of fiscal 2009 and fiscal 2008, respectively.

The weighted average grant date fair value of share-based compensation grants was $8.78 and $9.44 for the first half of fiscal 2009 and fiscal 2008, respectively.

Stock appreciation rights (“SARS”) were also granted during the first half of fiscal 2009. The 24,880 SARS granted carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise. The fair value of the SARS at the grant date was an aggregate amount of $328 and was determined utilizing the same assumptions as those used for the valuation of stock options. The fair value of the outstanding SARS will be revalued at each reporting date and related expense will be adjusted appropriately.

Restricted share and restricted share unit activity for the first half of fiscal 2009 is as follows:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2008	114,035	95,850	$ 26.13
Granted	92,091	3,300	31.45
Vested	(4,826)	(30,000)	27.83
Canceled	(7,515)	—	25.93
Non-vested at September 30, 2008	193,785	69,150	$ 27.87

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Restricted shares and restricted share units granted were valued based on the closing stock price at the grant date and are estimated to cliff vest over an approximately three-year period based upon the terms of the grants. The total intrinsic value of restricted shares and restricted share units that vested during the first half of fiscal 2009 and fiscal 2008 was $969 and $71, respectively, which is calculated as the number of restricted shares and restricted share units vested during the period multiplied by the weighted-average grant date fair value.

As of September 30, 2008, there was $11,983 of total unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. The cost is expected to be recognized over a weighted average period of 1.87 years.

15. Financial and Other Guarantees

We generally offer a limited parts and labor warranty on capital equipment. The specific terms and conditions of those warranties vary depending on the product sold and the country where we conduct business. We record a liability for the estimated cost of product warranties at the time product revenues are recognized. The amounts we expect to incur on behalf of our Customers for the future estimated cost of these warranties are recorded as a current liability on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” Factors that affect the amount of our warranty liability include the number and type of installed units, historical and anticipated rates of product failures, and material and service costs per claim. We periodically assess the adequacy of our recorded warranty liabilities and adjust the amounts as necessary.

Changes in our warranty liability during the first half of fiscal 2009 were as follows:

Balance, March 31, 2008	$ 7,825
Warranties issued during the period	6,080
Settlements made during the period	(5,807)
Balance, September 30, 2008	$ 8,098

We also sell product maintenance contracts to our Customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from Customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets within “Accrued expenses and other.” The liability recorded for such deferred service revenue was $18,807 and $16,829 as of September 30, 2008 and March 31, 2008, respectively. Such deferred revenues are then amortized on a straight-line basis over the contract term and recognized as service revenues on the accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenues has been excluded from the table presented above.

16. Foreign Currency Forward Contracts

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from assets and liabilities denominated in foreign currencies, including inter-company transactions. We do not use derivative financial instruments for speculative purposes. These contracts are marked to market, with gains and losses recognized on the accompanying Consolidated Statements of Income within “Selling, general, and administrative expenses.”

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At September 30, 2008, we held foreign currency contracts to buy 3.3 million euros, 4.0 million Canadian dollars, and 23.0 million Mexican pesos, and to sell 100.0 million Japanese yen. We provide additional information regarding foreign currency forward contracts in note 18 to our consolidated financial statements titled, “Subsequent Events.”

17. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial instruments using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions. The following table shows our financial assets and liabilities accounted for at fair value on a recurring basis at September 30, 2008:

		Fair Value Measurements at September 30, 2008 Using		
	September 30, 2008	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Forward contracts (1)	$ 8	$ —	$ 8	$ —
Investments (2)	732	732	—	—
Liabilities:				
Forward contracts (1)	$ 730	$ —	$ 730	$ —
Deferred compensation plans (2)	746	746	—	—

(1) The fair values of forward contracts are based on period-end spot rates and reflect the value of the amount that we would pay or receive for the contracts involving the same notional amounts and maturity dates.

(2) We provide a domestic non-qualified deferred compensation plan covering certain employees, which allows for the deferral of compensation for an employee-specified term or until retirement or termination. Amounts deferred can be allocated to various hypothetical investment options. We hold investments to satisfy the future obligations of the plan. Changes in the value of the investment accounts are recognized each period based on the fair value of the underlying investments. Employees making deferrals are entitled to receive distributions of their account balances (amounts deferred, together with earnings (losses)).

18. Subsequent Events

Subsequent to September 30, 2008, foreign currency contracts to buy 3.3 million euros, 4.0 million Canadian dollars, and 23.0 million Mexican pesos, and to sell 100.0 million Japanese yen matured. Subsequent to September 30, 2008, we entered into foreign currency contracts to buy 1.9 million euros and 56.0 million Mexican pesos.

On October 21, 2008, we announced that the Company’s Board of Directors had declared a quarterly cash dividend in the amount of $0.08 per common share, payable on December 9, 2008, to shareholders of record as of November 11, 2008.

Subsequent to September 30, 2008 and prior to November 1, 2008, we repurchased 595,277 of our common shares for an aggregate amount of $18,373, representing an average price of $30.86 per common share.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
STERIS Corporation

We have reviewed the consolidated balance sheet of STERIS Corporation and subsidiaries as of September 30, 2008, and the related consolidated statements of income for the three-month and six-month periods ended September 30, 2008 and 2007, and the consolidated statements of cash flows for the six-month periods ended September 30, 2008 and 2007. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based upon our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2008, and the related consolidated statements of income, shareholders' equity and cash flows for the year then ended, not presented herein, and in our report dated May 28, 2008, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of March 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio
November 7, 2008

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction. In Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A"), we explain the general financial condition and the results of operations for STERIS including:

- what factors affect our business;
- what our earnings and costs were in each period presented;
- why those earnings and costs were different from the prior periods;
- where our earnings came from;
- how this affects our overall financial condition; and
- where cash will come from to pay for future capital expenditures.

As you read the MD&A, you should refer to information in our consolidated financial statements, which present the results of our operations for the second quarter and first half of fiscal 2009 and fiscal 2008. You should read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

Financial Measures. In the following sections of the MD&A, we may, at times, refer to financial measures that are not required to be presented in the consolidated financial statements under U.S. GAAP. We have used the following financial measures in the context of this report: backlog; debt to capital; and days sales outstanding. We define these financial measures as follows:

- Backlog - We define backlog as the amount of unfilled capital equipment purchase orders at a point in time. We use this figure as a measure to assist in the projection of short-term financial results and inventory requirements.
- Debt to capital - We define debt to capital as total debt divided by the sum of total debt and shareholders' equity. We use this figure as a financial liquidity measure to gauge our ability to borrow, fund growth, and measure the risk of our financial structure.
- Days sales outstanding ("DSO") - We define DSO as the average collection period for accounts receivable. It is calculated as net accounts receivable divided by the trailing four quarters' revenues, multiplied by 365 days. We use this figure to help gauge the quality of accounts receivable and expected time to collect.

In the following sections of MD&A, we may, at times, also refer to financial measures which are considered to be "non-GAAP financial measures" under the rules of the SEC. Non-GAAP financial measures we may use are as follows:

- Free cash flow - We define free cash flow as net cash flows provided by operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles, net, plus proceeds from the sale of property, plant, equipment, and intangibles, which is also presented in the Consolidated Statements of Cash Flows. We use this measure to gauge our ability to fund future growth outside of core operations, repurchase common shares, pay cash dividends, and reduce debt. The following table reconciles the calculations of our free cash flow for the six months ended September 30, 2008 and 2007:

	Six Months Ended September 30,	
(dollars in thousands)	**2008**	**2007**
Cash flows from operating activities	$ 68,691	$ 53,168
Purchases of property, plant, equipment, and intangibles, net	(20,872)	(21,591)
Proceeds from the sale of property, plant, equipment, and intangibles	9,506	31
Free cash flow	$ 57,325	$ 31,608

We may, at times, refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparative analysis between the periods presented. For example, when discussing changes in revenues, we may, at times, exclude the impact of recently completed acquisitions and divestitures.

We present these financial measures because we believe that understanding these additional factors underlying our performance provides meaningful analysis of our financial performance. These financial measures should not be considered alternatives to measures required by U.S. GAAP. Our calculations of these measures may be different from the calculations of similar measures used by other companies.

Revenues - Defined. As required by Regulation S-X, we separately present revenues generated as either product revenues or service revenues on our Consolidated Statements of Income for each period presented. When we discuss revenues, we may, at times, refer to revenues summarized differently than the Regulation S-X requirements. The terminology, definitions, and applications of terms that we use to describe revenues may be different from terms used by other companies. We use the following terms to describe revenues:

- ***Revenues*** - We present revenues net of sales returns and allowances.
- ***Product Revenues*** - We define product revenues as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP® technology, water stills, and pure steam generators; surgical lights, tables and ceiling management systems; and the consumable family of products, which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- ***Service Revenues*** - We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of capital equipment, as well as revenues generated from contract sterilization offered through our Isomedix segment.
- ***Capital Revenues*** - We define capital revenues, a subset of product revenues, as revenues generated from sales of capital equipment, which includes steam and low temperature liquid sterilizers, washing systems, VHP® technology, water stills, and pure steam generators; and surgical lights, tables and ceiling management systems.

- ***Consumable Revenues*** - We define consumable revenues, a subset of product revenues, as revenues generated from sales of the consumable family of products, which includes STERIS SYSTEM 1® consumables, sterility assurance products, skin care products, and cleaning consumables.
- ***Recurring Revenues*** - We define recurring revenues as revenues generated from the sale of consumable products and service revenues.

General Company Overview and Executive Summary. Our mission is to provide a healthier today and safer tomorrow through knowledgeable people and innovative infection prevention, decontamination and health science technologies, products, and services. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental Customers.

The bulk of our revenues are derived from the healthcare and pharmaceutical industries. Much of the growth in these industries is impacted by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years, and is dependent upon advancement in healthcare delivery, acceptance of new technologies, government policies, and general economic conditions. In addition, each of our core industries is experiencing specific trends that may drive growth. Within the healthcare market, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased regulatory scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. In the contract sterilization industry, where our Isomedix segment competes, a trend toward the outsourcing of sterilization services continues to drive growth.

However, recent financial market conditions may have an adverse economic effect and could negatively impact investment activity within the markets we serve and the ability of our Customers to obtain financing. Should that be the case, our business and the growth of our markets could be negatively impacted and our exposure to bad debt losses could increase.

Fiscal 2009 second quarter and first half revenues were $323.1 million and $634.7 million, respectively, representing increases of 9.5% and 10.2%, respectively, from the same prior year periods. Revenues in the second quarter and first half of fiscal 2009 reflect growth in all three reportable business segments.

Our gross margin percentages were 41.0% and 41.4% for the second quarter and first half of fiscal 2009, which was an increase of 30 basis points compared to the same prior year quarter and an increase of 50 basis points from the first half of fiscal 2008. Gross margins during both fiscal 2009 periods benefited from price increases and productivity improvements, which more than offset the impact of increases in raw materials, freight costs, and foreign currency fluctuations.

Free cash flow was $57.3 million in the first half of fiscal 2009 compared to $31.6 million in the prior year first half, reflecting an increase in cash earnings during fiscal 2009 and $9.5 million in proceeds received from the sale of a facility located in the Chicago, Illinois area to a privately held Customer. Our debt-to-capital ratio was 25.2% at September 30, 2008 as compared to 20.3% at March 31, 2008, reflecting increased borrowings, which were used and will be used for general corporate purposes, including repayment of debt, capital expenditures, acquisitions, dividends, and common share repurchases. During the first half of fiscal 2009, we paid for the repurchase of approximately 1.6 million common shares at an average purchase price per share of $30.51. During the first half of fiscal 2008, we paid for the repurchase of approximately 1.9 million common shares at an average purchase price per share of $28.50. We also declared and paid cash dividends totaling $0.14 per common share in the first half of fiscal 2009. In the first half of fiscal 2008, we declared and paid cash dividends totaling $0.11 per common share.

On July 24, 2008, we announced that the Company’s Board of Directors increased the quarterly cash dividend by 33% and declared a quarterly cash dividend in the amount of $0.08 per common share, which was paid on September 11, 2008, to shareholders of record as of August 14, 2008.

Additional information regarding the Company's fiscal 2009 second quarter and first half financial performance is included in the subsection below titled "Results of Operations."

Matters Affecting Comparability

Restructuring. During the second quarter and first half of fiscal 2009, we did not incur any significant pre-tax restructuring expenses related to our previously announced restructuring plans and we settled certain termination benefits for less than originally expected. During the second quarter and first half of fiscal 2008, we recorded pre-tax expenses of $1.4 million and $3.3 million, including $0.7 million and $2.1 million classified as restructuring expenses, respectively, related to the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico. The expenses recorded in fiscal 2008 related to accelerated depreciation of assets, asset impairment costs, compensation and severance, and termination benefits.

Additional information regarding our restructuring actions is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008.

International Operations. Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2009, our revenues were favorably impacted by $1.9 million, or 0.6%, and income before taxes was favorably impacted by $0.6 million, or 1.3%, compared with the same period in fiscal 2008, as a result of foreign currency fluctuations. During the first half of fiscal 2009, our revenues were favorably impacted by $5.9 million, or 0.9%, and income before taxes was unfavorably impacted by $2.5 million, or 3.1%, as compared to the same prior year period, as a result of foreign currency movements relative to the U.S. dollar.

Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the second quarter and first half of fiscal 2009 compared with the same fiscal 2008 periods. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

Revenues. The following table contains information regarding our revenues for the second quarter and first half of fiscal 2009 and 2008:

	Three Months Ended September 30,				Percent of Total Revenues	
(dollars in thousands)	2008	2007	Change	Percent Change	2008 (1)	2007 (1)
Capital Revenues	$130,313	$ 114,036	$16,277	14.3%	40.3%	38.7%
Consumable Revenues	73,543	68,415	5,128	7.5%	22.8%	23.2%
Product Revenues	203,856	182,451	21,405	11.7%	63.1%	61.8%
Service Revenues	119,271	112,551	6,720	6.0%	36.9%	38.2%
Total Revenues	$323,127	$295,002	$28,125	9.5%	100.0%	100.0%
Service Revenues	$119,271	$ 112,551	$ 6,720	6.0%	36.9%	38.2%
Consumable Revenues	73,543	68,415	5,128	7.5%	22.8%	23.2%
Recurring Revenues	192,814	180,966	11,848	6.5%	59.7%	61.3%
Capital Revenues	130,313	114,036	16,277	14.3%	40.3%	38.7%
Total Revenues	$323,127	$295,002	$28,125	9.5%	100.0%	100.0%
United States	$245,139	$227,466	$17,673	7.8%	75.9%	77.1%
International	77,988	67,536	10,452	15.5%	24.1%	22.9%
Total Revenues	$323,127	$295,002	$28,125	9.5%	100.0%	100.0%

	Six Months Ended September 30,				Percent of Total Revenues	
	2008	2007	Change	Percent Change	2008 (1)	2007 (1)
Capital Revenues	$250,430	$216,885	$33,545	15.5%	39.5%	37.7%
Consumable Revenues	149,008	137,935	11,073	8.0%	23.5%	23.9%
Product Revenues	399,438	354,820	44,618	12.6%	62.9%	61.6%
Service Revenues	235,254	221,126	14,128	6.4%	37.1%	38.4%
Total Revenues	$634,692	$575,946	$58,746	10.2%	100.0%	100.0%
Service Revenues	$235,254	$221,126	$14,128	6.4%	37.1%	38.4%
Consumable Revenues	149,008	137,935	11,073	8.0%	23.5%	23.9%
Recurring Revenues	384,262	359,061	25,201	7.0%	60.5%	62.3%
Capital Revenues	250,430	216,885	33,545	15.5%	39.5%	37.7%
Total Revenues	$634,692	$575,946	$58,746	10.2%	100.0%	100.0%
United States	$486,358	$449,455	$36,903	8.2%	76.6%	78.0%
International	148,334	126,491	21,843	17.3%	23.4%	22.0%
Total Revenues	$634,692	$575,946	$58,746	10.2%	100.0%	100.0%

(1) Certain percentages may not calculate precisely due to rounding.

Quarter over Quarter Comparison

Revenues increased $28.1 million, or 9.5%, to $323.1 million for the quarter ended September 30, 2008, as compared to $295.0 million for the comparable prior year quarter. Capital equipment revenues increased 14.3%, driven by strong demand within the United States, particularly for new products, and growth internationally within the European and Asia Pacific markets. Recurring revenues increased 6.5%, with increases in consumable revenues and service revenues of 7.5% and 6.0%, respectively, primarily driven by growth within the United States.

International revenues increased $10.5 million, or 15.5%, to $78.0 million, for the quarter ended September 30, 2008, as compared to $67.5 million for the comparable prior year quarter. Capital equipment revenues grew within both the Healthcare and Life Sciences segments with increases of 18.7% and 28.2%, respectively. This increase was primarily driven by growth in the Asia Pacific market for our Healthcare segment and in the European market for both our Healthcare and Life Sciences segments. International revenues were also positively impacted by recurring revenue growth in all three reporting segments with increases of 6.7%, 16.5%, and 7.7%, in the Healthcare, Life Sciences, and Isomedix segments, respectively.

United States revenues increased $17.7 million, or 7.8%, to $245.1 million, for the quarter ended September 30, 2008, as compared to $227.5 million for the comparable prior year quarter. United States revenues were positively impacted by capital equipment growth in the Healthcare and Life Sciences segments of 12.2% and 6.8%, respectively. Recurring revenues also grew in all three reporting segments with increases of 7.3%, 0.3%, and 6.2% in the Healthcare, Life Sciences, and Isomedix segments, respectively.

First Half over First Half Comparison

Revenues increased $58.7 million, or 10.2%, to $634.7 million for the first half of fiscal 2009, as compared to $575.9 million during the first half of fiscal 2008. Capital equipment revenues increased 15.5%, primarily driven by continued strong demand within the United States. Recurring revenues increased 7.0%, reflecting growth in consumable revenues and service revenues, with increases of 8.0% and 6.4%, respectively, primarily driven by growth within the United States.

International revenues for the first half of fiscal 2009 amounted to $148.3 million, an increase of $21.8 million, or 17.3%, as compared to the first half of fiscal 2008. Fiscal 2009 year-to-date international revenues were positively impacted by strong capital equipment revenue growth within both the Healthcare and Life Sciences segments, with increases of 19.8% and 22.7%, respectively. International revenues were also positively impacted by recurring revenue growth in all three reporting segments, with increases of 14.6%, 13.8%, and 10.7% in the Healthcare, Life Sciences, and Isomedix segments, respectively.

United States revenues for the first half of fiscal 2009 amounted to $486.4 million, an increase of $36.9 million, or 8.2%, as compared to the first half of fiscal 2008. The fiscal 2009 year-to-date increase in United States revenues was primarily driven by our Healthcare segment, with a 16.0% increase in capital equipment revenues. United States recurring revenues were also positively impacted by recurring revenue growth in all three reporting segments, with increases of 7.1%, 1.0%, and 4.8% in the Healthcare, Life Sciences, and Isomedix segments, respectively.

Revenues are further discussed on a segment basis in the section of MD&A titled, “Business Segment Results of Operations.”

Gross Profit. The following table compares our gross profit for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

(dollars in thousands)	Three Months Ended September 30, 2008	2007	Change	Percent Change
Gross Profit:				
Product	$ 82,933	$ 73,413	$ 9,520	13.0%
Service	49,430	46,795	2,635	5.6%
Total Gross Profit	$132,363	$120,208	$12,155	10.1%
Gross Profit Percentage:				
Product	40.7%	40.2%		
Service	41.4%	41.6%		
Total Gross Profit Percentage	41.0%	40.7%		

	Six Months Ended September 30, 2008	2007	Change	Percent Change
Gross Profit:				
Product	$165,648	$143,150	$22,498	15.7%
Service	97,216	92,658	4,558	4.9%
Total Gross Profit	$262,864	$235,808	$27,056	11.5%
Gross Profit Percentage:				
Product	41.5%	40.3%		
Service	41.3%	41.9%		
Total Gross Profit Percentage	41.4%	40.9%		

Our gross profit (margin) is affected by the volume, pricing, and mix of our products and services, as well as the costs associated with the products and services that are sold. Gross margin for the second quarter of fiscal 2009 amounted to 41.0%, representing an increase of 30 basis points as compared to the same prior year period. For the first half of fiscal 2009, gross margin amounted to 41.4%, representing an increase of 50 basis points as compared to the same prior year period. During both fiscal 2009 periods, we benefited from price increases and labor savings from the transfer of our manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico, which more than offset increases in raw materials, freight costs, and foreign currency fluctuations.

Operating Expenses. The following table compares our operating expenses for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

(dollars in thousands)	Three Months Ended September 30, 2008	2007	Change	Percent Change
Operating Expenses:				
Selling, General, and Administrative	$ 77,290	$ 84,531	$(7,241)	-8.6%
Research and Development	8,068	8,531	(463)	-5.4%
Restructuring Expense	37	698	(661)	-94.7%
Total Operating Expenses	$ 85,395	$ 93,760	$(8,365)	-8.9%

	Six Months Ended September 30, 2008	2007	Change	Percent Change
Operating Expenses:				
Selling, General, and Administrative	$164,638	$167,914	$(3,276)	-2.0%
Research and Development	16,347	17,790	(1,443)	-8.1%
Restructuring Expense	(129)	2,089	(2,218)	-106.2%
Total Operating Expenses	$180,856	$187,793	$(6,937)	-3.7%

Significant components of total selling, general, and administrative expenses ("SG&A") are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. As a percentage of total revenues, SG&A decreased 480 basis points to 23.9% for the second quarter of fiscal 2009 and decreased 330 basis points to 25.9% for the first half of fiscal 2009, as compared to the same prior year periods. The decrease in SG&A in both fiscal 2009 periods reflects improved operating expense leverage and the benefit of cost reduction initiatives implemented in the fourth quarter of fiscal 2008. Also included in the fiscal 2009 second quarter and first half SG&A is a $2.1 million gain on the sale of an Isomedix facility located in the Chicago, Illinois area to a privately held Customer.

As a percentage of total revenues, research and development expenses were 2.5% and 2.6% for the three- and six-month periods ended September 30, 2008, respectively, as compared to 2.9% and 3.1%, respectively, for the same prior year periods. For the three- and six-month periods ended September 30, 2008, research and development expenses decreased 5.4% and 8.1% to $8.1 million and $16.3 million, respectively, as compared to $8.5 million and $17.8 million, respectively, during the same prior year periods. Research and development expenses are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological innovations. During the second quarter and first half of fiscal 2009, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of new chemistries and delivery systems for disinfection and sterilization, sterile processing combination technologies, surgical tables and accessories, and the areas of emerging infectious agents such as Prions and Nanobacteria.

Our operating expenses include restructuring expenses. We recognize restructuring expenses as incurred as required under the provisions of SFAS No. 146. In addition, we assess the property, plant and equipment associated with the related facilities for impairment under SFAS No. 144.

During the second quarter and first half of fiscal 2009, we did not incur any significant additional pre-tax expenses related to our previously announced restructuring plans, and we settled certain termination benefits for less than originally expected. During the second quarter and first half of fiscal 2008, we recorded pre-tax expenses of $1.4 million and $3.3 million, including $0.7 million and $2.1 million classified as restructuring

expenses, respectively. The expenses recorded in fiscal 2008 were primarily for accelerated depreciation of assets, asset impairment costs, compensation and severance, and termination benefits related to the transfer of our Erie, Pennsylvania manufacturing operations to Monterrey, Mexico, which was part of the Fiscal 2006 Restructuring Plan.

The total pre-tax restructuring expenses recorded during the second quarter and first half of fiscal 2009 and fiscal 2008 are summarized in the following tables:

Three Months Ended September 30, 2008	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ 29	$ —	$ (29)	$ —
Lease termination obligations	37	—	—	37
Total restructuring charges	$ 66	$ —	$ (29)	$ 37

Three Months Ended September 30, 2007	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ —	$ (24)	$ —	$ (24)
Asset impairment and accelerated depreciation	—	—	729	729
Lease termination obligations	—	(11)	—	(11)
Other	—	—	4	4
Total restructuring charges	$ —	$ (35)	$ 733	$ 698

Six Months Ended September 30, 2008	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ (87)	$ —	$ (178)	$ (265)
Lease termination obligations	37	99	—	136
Total restructuring charges	$ (50)	$ 99	$ (178)	$ (129)

Six Months Ended September 30, 2007	Fiscal 2008 Restructuring Plan	European Restructuring Plan	Fiscal 2006 Restructuring Plan	Total
Severance, payroll, and other related costs	$ —	$ (23)	$ 332	$ 309
Asset impairment and accelerated depreciation	—	—	1,800	1,800
Lease termination obligations	—	(11)	(13)	(24)
Other	—	—	4	4
Total restructuring charges	$ —	$ (34)	$ 2,123	$2,089

The restructuring charges incurred during the second quarter and first half of fiscal 2009 are primarily related to the Healthcare and Isomedix reporting segments. The restructuring charges incurred during the second quarter and first half of fiscal 2008 are primarily associated with the Healthcare reporting segment.

Liabilities related to our restructuring activities are recorded as current liabilities on the accompanying Consolidated Balance Sheets within "Accrued payroll and other related liabilities" and "Accrued expenses and other." The following tables summarize our liabilities related to these restructuring activities:

	Fiscal 2008 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments/ Impairments	September 30, 2008
Severance and termination benefits	$ 4,244	$ (87)	$ (2,810)	$ 1,347
Asset impairments	492	—	—	492
Lease termination obligations	898	37	(37)	898
Other	609	—	—	609
Total	$ 6,243	$ (50)	$ (2,847)	$ 3,346

	European Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments	September 30, 2008
Lease termination obligation	$ 247	$ 99	$ (346)	$ —
Total	$ 247	$ 99	$ (346)	$ —

	Fiscal 2006 Restructuring Plan			
		Fiscal 2009		
	March 31, 2008	Provision	Payments	September 30, 2008
Severance and termination benefits	$ 879	$ (178)	$ (580)	$ 121
Total	$ 879	$ (178)	$ (580)	$ 121

Non-Operating Expenses, Net. Non-operating expenses (income), net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our non-operating expenses (income), net for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

	Three Months Ended September 30,		
(dollars in thousands)	2008	2007	Change
Non-Operating Expenses (Income):			
Interest Expense	$ 2,518	$ 1,478	$1,040
Interest and Miscellaneous Income	(540)	(614)	74
Total Non-Operating Expenses, Net	$ 1,978	$ 864	$1,114

	Six Months Ended September 30,		
	2008	2007	Change
Non-Operating Expenses (Income):			
Interest Expense	$ 4,285	$ 2,713	$1,572
Interest and Miscellaneous Income	(922)	(1,076)	154
Total Non-Operating Expenses, Net	$ 3,363	$ 1,637	$1,726

Interest expense increased $1.0 million and $1.6 million during the second quarter and first half of fiscal 2009, respectively, as compared to the same prior year periods as a result of higher average debt levels during both fiscal 2009 periods. Interest and miscellaneous income decreased $0.1 million and $0.2 million for the second quarter and first half of fiscal 2009, respectively, as compared to same prior year periods.

Income Tax Expense. The following table compares our income tax expense and effective income tax rates for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

(dollars in thousands)	Three Months Ended September 30, 2008	2007	Change	Percent Change
Income Tax Expense	$16,196	$ 9,566	$6,630	69.3%
Effective Income Tax Rate	36.0%	37.4%		

	Six Months Ended September 30, 2008	2007	Change	Percent Change
Income Tax Expense	$24,351	$17,157	$7,194	41.9%
Effective Income Tax Rate	31.0%	37.0%		

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates from continuing operations for the three- and six-month periods ended September 30, 2008 were 36.0% and 31.0%, respectively, as compared to 37.4% and 37.0%, respectively, for the same prior year periods. The lower effective income tax rate for the second quarter and first half of fiscal 2009 resulted principally from discrete item adjustments due to the settlement of certain tax years under examination in the United States.

We record income tax expense during interim periods based on our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. We analyze various factors to determine the estimated annual effective income tax rate, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carryforwards, and available tax planning alternatives.

Business Segment Results of Operations. We operate and report in three business segments: Healthcare, Life Sciences, and STERIS Isomedix Services. "Corporate and other," which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. Our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008, provides additional information about each business segment. The following table compares business segment revenues for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

(dollars in thousands)	Three Months Ended September 30, 2008	2007	Change	Percent Change
Revenues:				
Healthcare	$227,836	$206,684	$21,152	10.2%
Life Sciences	57,151	52,323	4,828	9.2%
STERIS Isomedix Services	36,971	34,793	2,178	6.3%
Total reportable segments	321,958	293,800	28,158	9.6%
Corporate and other	1,169	1,202	(33)	-2.7%
Total Revenues	$323,127	$295,002	$28,125	9.5%

	Six Months Ended September 30, 2008	2007	Change	Percent Change
Revenues:				
Healthcare	$451,901	$402,375	$49,526	12.3%
Life Sciences	105,190	99,025	6,165	6.2%
STERIS Isomedix Services	73,834	70,265	3,569	5.1%
Total reportable segments	630,925	571,665	59,260	10.4%
Corporate and other	3,767	4,281	(514)	-12.0%
Total Revenues	$634,692	$575,946	$58,746	10.2%

Healthcare Segment

Healthcare segment revenues represented 70.5% of total revenues for the second quarter of fiscal 2009 compared with 70.1% for the same prior year period. Healthcare revenues increased $21.2 million, or 10.2%, to $227.8 million for the quarter ended September 30, 2008, compared with $206.7 million for the second quarter of fiscal 2008. The increase reflects growth across a range of product and service offerings, as well as geographies. A key driver of the increase in Healthcare revenues was strong growth in capital equipment revenues of 14.0%, primarily driven by increased demand within the United States, particularly for new products. Healthcare service and consumable revenues also grew, with increases of 7.4% and 6.9%, respectively. At September 30, 2008, the Healthcare segment's backlog amounted to $124.1 million, increasing $10.3 million, or 9.0%, compared to the backlog of $113.9 million at June 30, 2008 and increasing $30.2 million, or 32.1%, compared to the backlog of $94.0 million at September 30, 2007.

Healthcare segment revenues represented 71.2% of total revenues for the first six months of fiscal 2009 compared with 69.9% for the same prior year period. Healthcare revenues increased $49.5 million, or 12.3%, to $451.9 million for the six months ended September 30, 2008, as compared to $402.4 million for the same prior year period. The increase is attributable to growth across a range of product and service offerings in all geographies, and in particular, for capital equipment within the United States, which grew 16.0%. Healthcare consumable and service revenues also grew, with increases of 8.4% and 8.8%, respectively, primarily within the United States and European markets.

Life Sciences Segment

Life Sciences segment revenues represented 17.7% of total revenues for the second quarter of fiscal 2009 and the second quarter of fiscal 2008. Life Sciences revenues increased $4.8 million, or 9.2%, to $57.2 million for the quarter ended September 30, 2008, as compared to $52.3 million for the second quarter of fiscal 2008. The increase in Life Sciences revenues was primarily driven by growth in capital equipment revenues of 16.9%. Capital equipment revenues were positively impacted by an increase in the European pharmaceutical market and a recovery in the North American research market, tempered by continued softness in the North American pharmaceutical market. Life Sciences consumable and service revenues also grew, with increases of 8.1% and 1.8%, respectively. At September 30, 2008, the Life Sciences segment's backlog amounted to $48.7 million, a decrease of $1.1 million, or 2.1%, compared to the backlog of $49.8 million at June 30, 2008 and a decrease of $9.1 million, or 15.7%, compared to the backlog of $57.8 million at September 30, 2007.

Life Sciences segment revenues represented 16.6% of total revenues for the first six months of fiscal 2009, compared with 17.2% for the same prior year period. Life Sciences revenues increased $6.2 million, or 6.2%, to $105.2 million for the first half of fiscal 2009, as compared to $99.0 million for the same prior year period. The increase in Life Sciences revenues was primarily driven by a 9.6% increase in capital equipment revenues primarily associated with the European market, which grew 35.0%. Life Sciences consumable and service revenues also grew, with increases of 6.4% and 2.4%, respectively.

STERIS Isomedix Services Segment

STERIS Isomedix Services segment revenues represented 11.4% of total revenues for the second quarter of fiscal 2009, compared with 11.8% for the comparable prior year quarter. The segment's revenues increased $2.2 million, or 6.3% to $37.0 million during the second quarter of fiscal 2009, as compared to $34.8 million during the comparable prior year quarter. The growth in Isomedix revenues resulted from increased demand from our core medical device Customers and modest increases in price.

STERIS Isomedix Services segment revenues represented 11.6% of total revenues for the first six months of fiscal 2009 compared with 12.2% for the comparable prior year period. The segment experienced revenue growth of $3.6 million, or 5.1%, to $73.8 million during the first half of fiscal 2009 as compared to $70.3 million for the same prior year period. The growth in Isomedix revenues resulted from increased demand from our core medical device Customers and modest increases in price.

The following table compares our business segment operating results for the three and six months ended September 30, 2008 to the three and six months ended September 30, 2007:

(dollars in thousands)	Three Months Ended September 30, 2008	2007	Change	Percent Change
Operating Income:				
Healthcare	$32,698	$21,598	$11,100	51.4%
Life Sciences	6,228	3,369	2,859	84.9%
STERIS Isomedix Services	10,211	7,081	3,130	44.2%
Total reportable segments	49,137	32,048	17,089	53.3%
Corporate and other	(2,169)	(5,600)	3,431	NM
Total Operating Income	$46,968	$26,448	$20,520	77.6%

	Six Months Ended September 30, 2008	2007	Change	Percent Change
Operating Income (Loss):				
Healthcare	$61,928	$39,530	$22,398	56.7%
Life Sciences	7,275	3,638	3,637	100.0%
STERIS Isomedix Services	18,398	14,802	3,596	24.3%
Total reportable segments	87,601	57,970	29,631	51.1%
Corporate and other	(5,593)	(9,955)	4,362	NM
Total Operating Income	$82,008	$48,015	$33,993	70.8%

NM - Not meaningful

Segment operating income (loss) is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. The Corporate and other segment includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs from our former Erie manufacturing operation. Corporate cost allocations are based on each segment's portion of revenues, headcount, or other variables in relation to the total company. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment.

Healthcare Segment

The Healthcare segment's operating income increased $11.1 million and $22.4 million for the second quarter and first six months of fiscal 2009, respectively, as compared to the same prior year periods. The segment's operating margins were 14.4% and 13.7% for the second quarter and first half of fiscal 2009, respectively, representing increases of 400 basis points and 390 basis points, respectively, as compared to prior year periods. The Healthcare segment benefited from improved pricing and improved operating expense leverage, including productivity improvements and labor savings gained from the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico, which more than offset increases in raw material costs as compared to the same prior year periods. Also included in the segment's fiscal 2008 second quarter and first half operating income are pre-tax expenses of $1.4 million and $3.3 million, including $0.7 million and $2.1 million classified as restructuring expenses, respectively, associated with the transfer of manufacturing operations from Erie, Pennsylvania to Monterrey, Mexico.

Life Sciences Segment

The Life Sciences segment's operating income increased $2.9 million and $3.6 million for the second quarter and first six months of fiscal 2009, respectively, as compared to the same prior year periods. The segment's operating margins were 10.9% and 6.9% for the second quarter and first half of fiscal 2009, representing increases of 450 basis points and 320 basis points, respectively, over the comparable prior year periods. The improvement in operating performance was driven by increased revenue throughput and greater operating expense leverage as compared to the same prior year periods.

STERIS Isomedix Services Segment

The STERIS Isomedix Services segment's operating income increased $3.1 million and $3.6 million for the second quarter and first six months of fiscal 2009, respectively, as compared to the same prior year periods. The segment's operating margins were 27.6% and 24.9% for the second quarter and first half of fiscal 2009, representing increases of 720 basis points and 380 basis points, respectively, over the comparable prior year periods. The segment's margins reflect increased volumes on a relatively fixed cost base. Also included in the segment's fiscal 2009 second quarter and first half operating income is a $2.1 million gain on the sale of a facility located in the Chicago, Illinois area to a privately held Customer.

Liquidity and Capital Resources. The following table summarizes significant components of our cash flows for the six months ended September 30, 2008 and 2007:

Cash Flows

(dollars in thousands)	Six Months Ended September 30, 2008	2007
Operating activities:		
Net income	$ 54,294	$ 29,221
Non-cash items	34,607	33,791
Changes in operating assets and liabilities, excluding the effects of business acquisitions	(20,210)	(9,844)
Net cash provided by operating activities	$ 68,691	$ 53,168
Investing activities:		
Purchases of property, plant, equipment, and intangibles, net	$ (20,872)	$ (21,591)
Proceeds from the sale of property, plant, equipment, and intangibles	9,506	31
Net cash used in investing activities	$ (11,366)	$ (21,560)
Financing activities:		
Proceeds from the issuance of long-term obligations	$ 150,000	$ —
(Payments) proceeds under credit facilities, net	(79,180)	24,090
Deferred financing fees and debt issuance costs	(476)	(443)
Repurchases of common shares	(50,210)	(54,476)
Cash dividends paid to common shareholders	(8,275)	(7,112)
Stock option and other equity transactions, net	41,688	13,008
Net cash provided by (used in) financing activities	$ 53,547	$ (24,933)
Effect of exchange rate changes on cash and cash equivalents	(2,521)	2,592
Increase in cash and cash equivalents	$ 108,351	$ 9,267
Debt-to-capital ratio	25.2%	14.0%
Free cash flow	$ 57,325	$ 31,608

Net Cash Provided by Operating Activities. The net cash provided by our operating activities was $68.7 million for the first six months of fiscal 2009 compared with $53.2 million for the first six months of fiscal 2008. The following discussion summarizes the significant changes in our operating cash flows:

- Non-cash items - Our non-cash items include depreciation, depletion, and amortization, share-based compensation expense, changes in deferred income taxes, and other items. Non-cash items were $34.6 million for the first six months of fiscal 2009 compared with $33.8 million for the first six months of fiscal 2008. Significant changes in these items for the first half of fiscal 2009 as compared to the same prior year period are summarized below:
  - Depreciation, depletion, and amortization - Depreciation, depletion, and amortization is the most significant component of non-cash items. This expense totaled $29.6 million and $31.5 million for the first six months of fiscal 2009 and 2008, respectively. Fiscal 2008 depreciation expense includes accelerated depreciation related to certain assets included in the Fiscal 2006 Restructuring Plan.
  - Share-based compensation expense - We recorded non-cash share-based compensation expense of $3.8 million and $4.2 million for the first six months of fiscal 2009 and fiscal 2008, respectively. The decline of $0.4 million reflects a decline in the number of options granted and subject to amortization in the current fiscal year.
  - Deferred income taxes - Our deferred income tax benefits decreased $3.8 million for the first half of fiscal 2009, compared with an increase of $2.6 million for the first half of fiscal 2008 due to the timing and recognition of settlements.
- Working Capital - Excluding the impact of foreign currency translation adjustments, changes to our working capital totaled a negative $20.2 million and a negative $9.8 million during the first six months of fiscal 2009 and fiscal 2008, respectively. Significant changes in our working capital for the first half of fiscal 2009 as compared to the first half of fiscal 2008 are summarized below:
  - Accounts receivable, net - Our net accounts receivable balances decreased $34.2 million during the first six months of fiscal 2009 as compared to a decrease of $43.7 million for the same prior year period. Accounts receivable days sales outstanding decreased to 58 days at September 30, 2008, from 72 days at March 31, 2008 and from 63 days at September 30, 2007. Our accounts receivable balances may change from period to period due to the timing of revenues and customer payments.
  - Inventories, net - Our net inventory balances increased $19.3 million during the first six months of fiscal 2009 as compared to an increase of $20.8 million for the same prior year period. Inventory balances in fiscal 2009 reflect higher levels of inventory related to increased raw material costs, new product inventory, and higher production volume levels.
  - Other current assets - Our other current assets primarily consist of prepaid expenses for insurance, taxes, and other general corporate items. Other current assets decreased $13.5 million and increased $0.6 million during the first six months of fiscal 2009 and fiscal 2008, respectively. The decrease during the first half of fiscal 2009 was primarily driven by the application of taxes previously on deposit with the IRS toward the settlement of certain tax years under examination. Approximately $1.8 million remains on deposit with the IRS, pending the resolution of the fiscal 2006 and fiscal 2007 audit cycle, which began in fiscal 2009.
  - Accounts payable, net - Our net accounts payable balances decreased $8.5 million during the first six months of fiscal 2009 as compared to a decrease of $15.8 million for the same prior year period. Cash flows related to accounts payable may change from period to period due to varying payment due dates and other terms of our accounts payable obligations.
  - Accruals and other, net - Our net accruals and other liabilities balances decreased $40.1 million and $16.4 million during the first six months of fiscal 2009 and fiscal 2008, respectively. The decrease in the first half of fiscal 2009 primarily reflects payments made in the first quarter of

fiscal 2009 against amounts accrued in fiscal 2008 for incentive compensation and severance, and the payment of income taxes previously accrued. Cash flows related to our accruals and other liabilities balances will change from period to period due to the timing of accruals and payments under our incentive compensation programs. Accruals under our various incentive compensation programs rise during the course of the fiscal year and decline significantly in the first fiscal quarter as payments are made under these programs. Changes in accruals for deferred revenues also contribute to the increase or decrease in these balances.

Net Cash Used In Investing Activities. The net cash we used in investing activities totaled $11.4 million for the first six months of fiscal 2009 compared with $21.6 million for the first six months of fiscal 2008. The following discussion summarizes the significant changes in our investing cash flows for the first half of fiscal 2009 as compared to the first half of fiscal 2008:

- Purchases of property, plant, equipment, and intangibles, net - Capital expenditures were $20.9 million for the first half of fiscal 2009 compared with $21.6 million during the same prior year period.
- Proceeds from the sale of property, plant, equipment, and intangibles - During the first six months of fiscal 2009, we recorded proceeds of $9.5 million, related to the sale of an Isomedix facility located in the Chicago, Illinois area to a privately-held Customer.

Net Cash Provided By (Used In) Financing Activities. The net cash provided by our financing activities totaled $53.5 million for the first six months of fiscal 2009 compared with net cash used by our financing activities of $24.9 million for the first six months of fiscal 2008. The following discussion summarizes the significant changes in our financing cash flows for the first half of fiscal 2009 as compared to the first half of fiscal 2008:

- Proceeds from the issuance of long-term obligations - During the second quarter of fiscal 2009, we issued $150.0 million of senior notes in an offering that was exempt from the registration requirements of the Securities Act of 1933. These senior notes are discussed further in note 6 to our consolidated financial statements titled, “Debt,” and in the subsection of the MD&A titled, “Sources of Credit and Contractual and Commercial Commitments.”
- Net proceeds under credit facilities - We repaid $79.2 million and borrowed $24.1 million under our revolving credit facilities during the first six months of fiscal 2009 and fiscal 2008, respectively. Proceeds from the senior notes issued during the second quarter of fiscal 2009 were used in part to repay amounts outstanding under our revolving credit facility. The senior notes allowed us to lock-in favorable long-term rates. Amounts borrowed are generally used to fund common share repurchases and working capital changes, and for other corporate purposes.
- Deferred financing fees - During the second quarter of fiscal 2009, we paid fees of $0.5 million related to the issuance of the new senior notes and amendment of the existing senior notes. In fiscal 2008, we paid fees of $0.4 million related to the amendment and restatement of our revolving credit facility. These amounts are being amortized over the respective terms of the underlying agreements.
- Repurchases of common shares - The Company’s Board of Directors has provided authorization to repurchase the Company’s common shares. During the first half of fiscal 2009, we paid for the repurchase of 1,645,900 of our common shares at an average purchase price of $30.51 per common share. During the first half of fiscal 2008, we paid for the repurchase of 1,911,631 of our common shares at an average purchase price of $28.50 per common share.
- Cash dividends paid to common shareholders - During the first six months of fiscal 2009 and fiscal 2008, we paid cash dividends totaling $0.14 and $0.11 per outstanding common share, respectively. Total cash dividends paid during the first half of fiscal 2009 and fiscal 2008 amounted to $8.3 million and $7.1 million, respectively.
- Stock option and other equity transactions, net - We receive cash for issuing common shares under our various employee stock option programs. During the first six months of fiscal 2009 and 2008, we received cash proceeds totaling $33.0 million and $10.6 million, respectively, under these programs.

Cash Flow Measures. Free cash flow was $57.3 million in the first half of fiscal 2009 compared to $31.6 million in the prior year first half, reflecting an increase in cash earnings in fiscal 2009. Our debt-to-capital ratio was 25.2% at September 30, 2008 and 20.3% at March 31, 2008.

Sources of Credit and Contractual and Commercial Commitments. Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. Our commercial commitments were approximately $29.4 million at September 30, 2008 reflecting a net increase of $2.6 million in surety bonds and other commercial commitments from March 31, 2008. Except as described, our contractual commitments have not changed materially from March 31, 2008. The maximum aggregate borrowing limits under our revolving credit facility ("Facility") have not changed since March 31, 2008. At September 30, 2008, the maximum amount available for borrowing under this Facility was $380.5 million. The maximum aggregate borrowing limit of $400.0 million under the Facility is reduced by outstanding amounts (none) and letters of credit issued ($19.5 million) under a sub-limit within the Facility.

On August 15, 2008, we issued $150.0 million of senior notes in a private placement (the "August 2008 Private Placement") to certain institutional investors in an offering that was exempt from the registration requirements of the Securities Act of 1933. We have used or will use the proceeds for general corporate purposes, including repayment of debt, capital expenditures, acquisitions, dividends, and common share repurchases. Of the $150.0 million notes, $30.0 million have a maturity of 5 years at an annual interest rate of 5.63%, another $85.0 million have a maturity of 10 years at an annual interest rate of 6.33%, and the remaining $35.0 million have a maturity of 12 years at an annual interest rate of 6.43%.

Also on August 15, 2008, we signed an amendment to various note purchase agreements, each dated December 17, 2003, that we previously entered into for the issuance of $100.0 million of senior notes in a private placement (the "December 2003 Private Placement"). This amendment, which was signed by a majority in aggregate principal amount of the holders of the December 2003 Private Placement notes, modified the respective note purchase agreements primarily as they pertained to liens, electronic delivery of financial information and notices, and certain provisions regarding an intercreditor agreement.

Cash Requirements. Currently, we intend to use our existing cash and cash equivalent balances, cash generated from operations, and our existing credit facilities for short-term and long-term capital expenditures and our other liquidity needs. We believe that these amounts will be sufficient to meet working capital needs, capital requirements, and commitments for at least the next twelve months. However, our capital requirements will depend on many uncertain factors, including our rate of sales growth, our Customers' acceptance of our products and services, the costs of obtaining adequate manufacturing capacities, the timing and extent of our research and development projects, and changes in our operating expenses. To the extent that our existing sources of cash are not sufficient to fund our future activities, we may need to raise additional funds through additional borrowings or selling equity securities. We cannot assure you that we will be able to obtain additional funds on terms favorable to us, or at all.

Critical Accounting Policies, Estimates, and Assumptions. Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2008.

Contingencies. We are involved in various patent, product liability, consumer, commercial, environmental, tax proceedings and claims, governmental investigations, and other legal and regulatory proceedings that arise from time to time in the ordinary course of our business. In accordance with SFAS No. 5, we record a liability for such contingencies to the extent that we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not

anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of claims, litigation, and other proceedings is unpredictable and actual results could be materially different from our estimates. We record anticipated recoveries under applicable insurance contracts when assured of recovery. Refer to Part II, Item 1, “Legal Proceedings” for additional information.

We are subject to taxation from United States federal, state, and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. The IRS routinely conducts audits of our federal income tax returns. In the fourth quarter of fiscal 2008, we reached a settlement with the IRS on all material tax matters for fiscal 1999 through fiscal 2001. In the first quarter of fiscal 2009, we reached a settlement with the IRS for all material tax matters for fiscal 2002 through fiscal 2005. In addition, the IRS began its audit of fiscal 2006 and fiscal 2007 in fiscal 2009. We remain subject to tax authority audits in various other jurisdictions in which we operate. If we prevail in matters for which accruals have been recorded, or are required to pay amounts in excess of recorded accruals, our effective income tax rate in a given financial statement period could be materially impacted.

As a result of current market and economic instability, the values of the assets held by our two defined benefit pension plans have declined since March 31, 2008. Although the specific impact of these declines has not been determined at this time, these developments may negatively impact the funded status of the plans and result in an increase in required contributions.

Additional information regarding our commitments and contingencies is included in note 10 to our consolidated financial statements titled, “Contingencies.”

International Operations. Since we conduct operations outside the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the second quarter of fiscal 2009, our revenues were favorably impacted by $1.9 million, or 0.6%, and income before taxes was favorably impacted by $0.6 million, or 1.3%, when compared to the same period in fiscal 2008, as a result of foreign currency movements relative to the U.S. dollar. During the first half of fiscal 2009, our revenues were favorably impacted by $5.9 million, or 0.9%, and income before taxes was unfavorably impacted by $2.5 million, or 3.1%, when compared to the same period in fiscal 2008, as a result of foreign currency movements relative to the U.S. dollar. We took steps in fiscal 2008 to reduce this foreign currency volatility by converting foreign currency denominated inter-company loans to equity for certain foreign legal entities. We cannot predict future changes in foreign currency exchange rates or the effect they will have on our operations.

Forward-Looking Statements. This Quarterly Report on Form 10-Q may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to us or our industry that are intended to qualify for the protections afforded “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as “may,” “will,” “expects,” “believes,” “anticipates,” “plans,” “estimates,” “projects,” “targets,” “forecasts,” “potential,” “confidence,” and “seeks,” or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to be materially different from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, actions of regulatory agencies, and changes in government regulations or the application or interpretation thereof. Many of these important factors are outside of our control. No assurances can be provided as to any outcome from litigation, regulatory actions, administrative proceedings, government investigations, warning letters, cost reductions, business strategies, level of share repurchases, earnings and revenue trends, expense reduction, or other future financial results. Unless legally required, we do not undertake to update or revise any forward-looking statements even if events make clear that any projected results, express or implied, will not be realized. Other potential risks and uncertainties that could cause actual results to be materially different from those in the

forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing or raw material cost that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications, or that our business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, regulations, regulatory actions, including without limitation, the investigation regarding the STERIS SYSTEM 1 ® sterile processing system, certifications or other requirements or standards may delay or prevent new product introductions, affect the production and marketing of existing products, or otherwise affect our performance, results, or value, (d) the potential of international unrest or effects of fluctuations in currencies, tax assessments or rates, raw material costs, benefit, pension, or retirement plan costs, or other regulatory compliance costs, (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for our products and services, (f) the possibility that anticipated growth, alignment, cost savings, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental or other issues or risks associated with our business, industry, or other issues, activities, or initiatives may adversely impact our performance, results, or value, (g) the effect of the credit crisis on our ability, as well as the ability of our Customers and suppliers, to adequately access the credit markets when needed, and (h) those risks described in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008, under Item 1A, “Risk Factors”, and under Item 1A, “Risk Factors,” of this Form 10-Q.

Availability of Securities and Exchange Commission Filings. We make available free of charge on or through our website, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to these reports as soon as reasonably practicable after we file such material with, or furnish such material to, the SEC. You may access these documents on the Investor Relations page of our website at *http://www.steris-ir.com*. The information on our website is not incorporated by reference into this report. You may also obtain copies of these documents by visiting the SEC’s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549, or by accessing the SEC’s website at *http://www.sec.gov*. You may obtain information on the Public Reference Room by calling the SEC at 1-800-SEC-0330.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of business, we are subject to interest rate, foreign currency, and commodity risks. Information related to these risks and our management of these exposures is included in this Quarterly Report on Form 10-Q in Part I, Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the subsection titled, “Liquidity and Capital Resources.” Additional information related to these risks and our management of these exposures is included in Part II, Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” included in our Annual Report on Form 10-K for the year ended March 31, 2008, filed with the SEC on May 30, 2008. Our exposures to market risks have not changed materially since March 31, 2008.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision of and with the participation of our management, including the Principal Executive Officer (“PEO”) and Principal Financial Officer (“PFO”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as of the end of the period covered by this Quarterly Report. Based on that evaluation, including the assessment and input of our management, the PEO and PFO concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended September 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are, and will likely continue to be involved in a number of legal proceedings and claims, which we believe generally arise from the ordinary course of our business, given our size, history, complexity, and the nature of our business, Customers, regulatory environment, and industries in which we participate. These legal proceedings and claims generally involve a variety of legal theories and allegations, including, without limitation, personal injury (e.g., slip and falls, burns, vehicle accidents), product liability or regulation (e.g., based on product operation or claimed malfunction, failure to warn, failure to meet specification, or failure to comply with regulatory requirements), product exposure (e.g., claimed exposure to chemicals, asbestos, contaminants, radiation), property damage (e.g., claimed damage due to leaking equipment, fire, vehicles, chemicals), economic loss (e.g., breach of contract, other commercial claims), financial (e.g., taxes, reporting), employment (e.g., wrongful termination, discrimination, benefits matters), and other claims for damage and relief.

The FDA and the United States Department of Justice have been conducting an investigation to our knowledge since 2003 involving our STERIS SYSTEM 1® sterile processing system. We have received requests for documents, including the subpoena received in January 2005, and are aware of interviews of current and former employees in connection with the investigation. We continue to respond to these requests and cooperate with the government agencies regarding this matter. There can be no assurance of the ultimate outcome of the investigation, or that any matter arising out of the investigation will not result in actions by the government agencies or third parties, or that the government agencies will not initiate administrative proceedings, civil proceedings, or criminal proceedings, or any combination thereof, against us.

On May 16, 2008, we received a warning letter (the “warning letter”) from the FDA regarding our STERIS SYSTEM 1 sterile processor and the STERIS™ 20 sterilant used with the processor (referred to collectively in the FDA letter and in this Item 1 as the “device”). We believe this warning letter arose from the previously disclosed investigation. In summary, the warning letter included the FDA’s assertion that significant changes or modifications have been made in the design, components, method of manufacture, or intended use of the device beyond the FDA’s 1988 clearance, such that the FDA believes a new premarket notification submission (known within FDA regulations as a 510(k) submission) should have been made. The warning letter referenced a number of changes to the device that, according to the FDA, require a new premarket notification submission, and asserted that our failure to make such a submission resulted in violations of applicable law. The warning letter also requested documentation and explanation regarding various corrective actions related to the device prior to 2003, and whether those actions should be considered corrections or removals requiring notice under applicable FDA regulations. On July 30, 2008 (with an Addendum on October 9, 2008), we provided a detailed response contending that the assertions in the warning letter are not correct.

On November 4, 2008, we received a letter from the FDA (dated November 3, 2008) in which the FDA stated without elaboration that, after reviewing our response, it disagreed with our position and that a new premarket notification submission is required. The agency did not address the removal and correction reporting issues and invited a meeting with STERIS to discuss the warning letter, based on our earlier request. After discussions with the FDA regarding the November 3rd letter, we received an additional letter on November 6, 2008 from the FDA. The November 6th letter stated that the intent of the November 3rd letter was to inform us of the FDA’s preliminary disagreement with our response to the warning letter and, before finalizing a position, the FDA reiterated that it wanted to meet with us to discuss the Company’s response, issues related to the warning letter and next steps to resolve any differences between the Company and the FDA.

We continue to believe that the changes described in the warning letter from the FDA do not significantly affect the safety or effectiveness of the device and, therefore, did not and do not require a new premarket notification submission, and further, that the corrective actions were compliant with FDA regulations. However, if the FDA’s assertions are ultimately determined to be correct, the device would be considered adulterated and

misbranded under United States law, in which case, we would be required to make a new premarket notification submission. The FDA also could take enforcement action immediately without providing the opportunity to make a new 510(k) submission. If we did not make that 510(k) submission, if the FDA rejected that 510(k) submission, if the FDA took immediate enforcement action, or if governmental agencies and/or third parties otherwise considered the device to be non-compliant, civil, administrative, or criminal proceedings could be initiated. These or other proceedings involving our STERIS SYSTEM 1 sterile processing system and the STERIS 20 sterilant, a significant product to us, could possibly result in judgments requiring re-labeling or restriction on the manufacturing, sale, or distribution of products, or could require us to take other actions, including recalls, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. We intend to meet with the FDA to discuss our position and to seek resolution of any issues regarding the warning letter.

The STERIS SYSTEM 1 sterile processing system has been in use since its clearance by the FDA in the late 1980's. We estimate that the devices currently in operation are used by approximately 5,000 users in excess of 30,000 times per day in the aggregate and that over 250 million medical instruments have been processed using the STERIS SYSTEM 1 sterile processing system. For additional information regarding this matter, see the following portions of our Annual Report on Form 10-K for the year ended March 31, 2008 filed with the SEC on May 30, 2008: "Business – Information with respect to our Business in General – Recent Events – Government Regulations", "Risk Factors – We are subject to extensive regulatory requirements and must receive and maintain regulatory clearance or approval for many products and operations. Failure to receive or maintain, or delays in receiving, clearance or approvals may hurt our revenues, profitability, financial condition or value", and Item 1A of this Form 10-Q, "Risk Factors – We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters."

We believe we have adequately reserved for our current litigation and that the ultimate outcome of pending lawsuits and claims will not have a material adverse affect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome of current or future litigation, claims, proceedings, investigations, including the previously discussed investigation, or their effect. We presently maintain product liability insurance coverage, and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us. Additional information regarding our contingencies is included in Item 2 titled, "Management's Discussion and Analysis of Financial Conditions and Results of Operations" and in note 10 to our consolidated financial statements titled, "Contingencies," contained in this Quarterly Report on Form 10-Q.

From time to time, STERIS is also involved in legal proceedings as a plaintiff involving contract, patent protection, and other claims asserted by us. Gains, if any, from these proceedings are recognized when they are realized.

Except as noted above, we believe there have been no material recent developments concerning our legal proceedings since March 31, 2008 and no new material pending legal proceedings are required to be reported.

ITEM 1A. RISK FACTORS

We believe there have been no material changes in the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008, filed with the SEC on May 30, 2008, that may materially affect our business, results of operations, or financial condition, except as follows:

The current economic crisis may adversely affect us.

Adverse economic cycles or conditions could affect the Company's results of operations. There can be no assurances when these cycles or conditions will occur or when they will improve after they occur. Conditions such as the recent turmoil in the financial markets may have an adverse effect on U.S. and global economies, which could negatively impact access to capital markets and investment activity within key geographic and market segments served.

Credit and liquidity problems caused by the foregoing conditions may make it difficult for some businesses to access credit markets and obtain financing. If our Customers have difficulty financing their purchases due to credit market disruptions, our business could be adversely affected. Our exposure to bad debt losses could also increase if Customers are unable to pay for products previously ordered and delivered.

In addition, as a result of the current economic instability, the investment portfolio for our two defined benefit pension plans has experienced volatility and a decline in fair value since March 31, 2008. Because the values of these pension plan investments have and will fluctuate in response to changing market conditions, the amount of gains or losses that will be recognized in subsequent periods and the impact on the funded status of the plans and future minimum required contributions, if any, could have a material adverse effect on our liquidity, financial conditions and result of operations, but such impact cannot be determined at this time.

We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters.

We refer to the corresponding Risk Factor set forth in our Annual Report on Form 10-K for the fiscal year ended March 31, 2008. The Risk Factor refers to the warning letter we received from the FDA on May 16, 2008 regarding our STERIS SYSTEM 1® sterile processing system. In summary, that letter outlines the FDA's assertion that significant changes or modifications have been made in the design, components, method of manufacture or intended use of the system, beyond the FDA's 1988 clearance of the device, such that the FDA asserts a new premarket notification submission is required. We responded to the warning letter. In November 2008, we received correspondence from the FDA indicating that the FDA disagreed, on a preliminary basis, with our response and that the FDA wanted to meet with us prior to finalizing its position and to outline next steps to resolve any differences between the Company and the FDA. These or other proceedings involving our STERIS SYSTEM 1 sterile processing system and the STERIS 20 sterilant, a significant product to us, could possibly result in judgments requiring re-labeling or restriction on the manufacturing, sale, or distribution of products, or could require us to take other actions, including recalls, to pay fines or civil damages, or to be subject to other governmental or third party claims or remedies, which could materially affect our business, performance, value, financial condition, and results of operations. (For more information regarding this warning letter, see "Legal Proceedings" above.)

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the second quarter of fiscal 2009, we repurchased 500,000 of our common shares. These repurchases were pursuant to a single repurchase program which was approved by the Company's Board of Directors and announced on March 14, 2008, authorizing the repurchase of up to $300.0 million of our common shares. This common share repurchase authorization does not have a stated maturity date. As of September 30, 2008, $234.1 million in common shares remained available for repurchase under this common share repurchase authorization. The following table summarizes the common shares repurchased during the second quarter of fiscal 2009 under our common share repurchase program:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans
July 1-31 (1)	—	$ —	—	$ 252,745
August 1-31	100,000	$ 36.92	100,000	$ 249,053
September 1-30	400,000	$ 37.33	400,000	$ 234,120
Total	500,000	$ 37.25	500,000	$ 234,120

(1) Does not include 114,302 common shares received in payment of the option exercise price for certain Company stock options exercises.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The shareholders of the Company voted on the following items at the Annual Meeting of Shareholders held on July 24, 2008:

(a) All of the persons named below were elected as Directors of the Company for a term expiring at the Annual Meeting of Shareholders in 2009. Votes cast for and withheld from each of such persons were as follows:

	FOR	WITHHELD
Richard C. Breeden	51,641,061	2,081,342
Cynthia L. Feldmann	52,529,505	1,192,898
Robert H. Fields	51,915,546	1,806,857
Jacqueline B. Kosecoff	52,540,289	1,182,114
Raymond A. Lancaster	51,521,132	2,201,271
Kevin M. McMullen	52,525,840	1,196,563
J. B. Richey	51,540,587	2,181,816
Walter M Rosebrough, Jr.	51,640,235	2,082,168
Mohsen M. Sohi	52,387,691	1,334,712
John P. Wareham	52,525,875	1,196,528
Loyal W. Wilson	51,538,407	2,183,996
Michael B. Wood	52,542,474	1,179,929

(b) Votes regarding the proposal to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ended March 31, 2009 were as follows:

FOR	AGAINST	ABSTAIN	BROKER NON-VOTES
53,345,550	329,724	47,130	—

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K

Exhibit Number	Exhibit Description
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	First Amendment Dated as of August 15, 2008 to Note Purchase Agreements Dated as of December 17, 2003 between STERIS Corporation and certain institutional investors.
10.2	Form of Note Purchase Agreements Dated as of August 15, 2008 between STERIS Corporation and certain institutional investors.
10.3	Subsidiary Guaranty Dated as of August 15, 2008 by certain subsidiaries of STERIS Corporation.
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

STERIS Corporation

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President and Chief Financial Officer
November 10, 2008

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STERIS CORPORATION

FIRST AMENDMENT
Dated as of August 15, 2008

to

NOTE PURCHASE AGREEMENTS
Dated as of December 17, 2003

Re: $40,000,000 4.20% Senior Notes, Series A-1, due December 15, 2008
$40,000,000 5.25% Senior Notes, Series A-2, due December 15, 2013
$20,000,000 5.38% Senior Notes, Series A-3, due December 15, 2015

FIRST AMENDMENT TO NOTE PURCHASE AGREEMENTS

THIS FIRST AMENDMENT dated as of August 15, 2008 to the Note Purchase Agreements dated as of December 17, 2003 is between STERIS Corporation, an Ohio corporation (the *"Company"*) and each of the institutions which is a signatory to this First Amendment (collectively, the *"Noteholders"*).

RECITALS:

A. The Company and ACACIA LIFE INSURANCE COMPANY, AMERITAS LIFE INSURANCE CORP., AMERICAN UNITED LIFE INSURANCE COMPANY, PIONEER MUTUAL LIFE INSURANCE COMPANY, THE STATE LIFE INSURANCE COMPANY, EQUITABLE LIFE INSURANCE COMPANY OF IOWA, GOLDEN AMERICAN LIFE INSURANCE COMPANY, LIFE INSURANCE COMPANY OF GEORGIA, RELIASTAR LIFE INSURANCE COMPANY, SECURITY LIFE OF DENVER INSURANCE COMPANY, MONY LIFE INSURANCE COMPANY OF AMERICA, PRIMERICA LIFE INSURANCE COMPANY, THE TRAVELERS INSURANCE COMPANY, THE TRAVELERS LIFE AND ANNUITY COMPANY, THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA, and TIAA-CREF LIFE INSURANCE COMPANY have heretofore entered into the Note Purchase Agreements dated as of December 17, 2003 (the *"Note Purchase Agreements"*). The Company has heretofore issued (a) $40,000,000 aggregate principal amount of its 4.20% Senior Notes, Series A-1, due December 15, 2008 (the *"Series A-1 Notes"*), (b) $40,000,000 aggregate principal amount of its 5.25% Senior Notes, Series A-2, due December 15, 2013 (the *"Series A-2 Notes"*) and (c) $20,000,000 aggregate principal amount of its 5.38% Senior Notes, Series A-3, due December 15, 2015 (the *"Series A-3 Notes"*; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes are hereinafter referred to as the *"Series A Notes"*), dated December 17, 2003 pursuant to the Note Purchase Agreements. The Noteholders are the holders of more than 51% of the outstanding principal amount of the Series A Notes.

B. The Company and the Noteholders now desire to amend the Note Purchase Agreements in the respects, but only in the respects, hereinafter set forth.

C. Capitalized terms used herein shall have the respective meanings ascribed thereto in the Note Purchase Agreements unless herein defined or the context shall otherwise require.

D. All requirements of law have been fully complied with and all other acts and things necessary to make this First Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

NOW, THEREFORE, upon the full and complete satisfaction of the conditions precedent to the effectiveness of this First Amendment set forth in **Section 3.1** hereof, and in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Company and the Noteholders do hereby agree as follows:

SECTION 1. AMENDMENTS.

Section 1.1. Section 2.2(b) of the Note Purchase Agreements shall be and is hereby amended by amending the second paragraph thereof to read as follows:

*"*The Pledge Agreements and any other pledge agreements, instruments, documents and agreements pursuant to which the Company or any Subsidiary agrees to grant any Liens in favor of the Collateral Agent for the ratable benefit of the Creditors are hereinafter referred to as *"Collateral Documents"*. The Collateral Documents and the Subsidiary Guaranty are hereinafter collectively referred to as the *"Security Documents"*.

Section 1.2. Section 2.2(c) of the Note Purchase Agreements shall be and is hereby amended to read as follows:

"(c) The enforcement of the rights and benefits in respect of the Security Documents and the allocation of proceeds thereof will be subject to an intercreditor agreement dated as of December 17, 2003 entered into by the Agent on behalf of the Banks, the Collateral Agent, you and the Other Purchasers, substantially in the form of **Exhibit 2.2(c)** attached hereto and made a part hereof (as the same may be further amended, supplemented, restated or otherwise modified or replaced from time to time, the *"Intercreditor Agreement"*)."

Section 1.3. Section 7.3 of the Note Purchase Agreements shall be and is hereby amended by renumbering it as Section 7.4

Section 1.4. The Note Purchase Agreements shall be and are hereby amended by adding a new Section 7.3 to read as follows:

"Section 7.3 Electronic Delivery. Financial statements and officers' certificates required to be delivered by the Company pursuant to **Sections 7.1(a), (b)** or **(c)** and, with respect only to a holder of Notes who has consented (which consent may be revoked at any time) to delivery, in accordance with the succeeding provisions of this Section, of the officers' certificates required by **Section 7.2** (*"consenting holder"*), **Section 7.2** shall be deemed to have been delivered to a holder of Notes if (i) such financial statements satisfying the requirements of **Section 7.1(a)** or **(b)** and, with respect to a consenting holder, the related certificate satisfying the requirements of **Section 7.2** are delivered to the holder of Notes by e-mail at the e-mail address provided to the Company by such holder in writing or (ii) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of **Section 7.1(a)** or **(b)** as the case may be, with the SEC on "EDGAR" and shall have made such Form available on its home page on the worldwide web (at the date of this Agreement located at www.steris.com) and, with respect to a consenting holder, shall have delivered the related certificate satisfying the requirements of **Section 7.2** to the holder of the Notes by email at the email address provided to the Company by such holder in writing or (iii) such financial statements satisfying the requirements of **Section 7.1(a)** or **(b)** and, with respect to a consenting holder, related certificate satisfying the requirements of **Section 7.2** are timely posted by or on behalf of the Company in IntraLinks or on any other similar website to which each holder of Notes has free access or (iv) the Company shall have filed any of the items referred to in **Section 7.1(c)** with the SEC on "EDGAR", and shall have made such items available on its home page on the worldwide web or if any of such items are timely posted by or on behalf of the Company on IntraLinks or any other similar website to which each holder of Notes has free access; *provided however*, that in the case of any of clause (ii), (iii) or (iv) the Company shall concurrently with such filing or posting give notice to each holder of Notes of such posting or filing and *provided further*, that upon request of any holder, the Company will thereafter deliver written copies of such forms, financial statements and certificates to such holder until such time as such holder shall notify the Company that electronic delivery of the same is acceptable. Notwithstanding the foregoing or any IntraLinks or similar electronic delivery, the parties agree that the provisions of **Section 20** shall control the actions of the parties with respect to Confidential Information delivered to, or received by, the holders of the Notes."

Section 1.5. Section 10.3(c) of the Note Purchase Agreements shall be and is hereby amended in its entirety to read as follows:

"(c) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory and contractual landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature, in any such case incurred in the ordinary course of business and not in

connection with the borrowing of money; *provided* that all such Liens in the aggregate do not materially impair the business of the Company and its Restricted Subsidiaries or the value of their properties, taken as a whole;"

Section 1.6. Sections 10.4(d) and 10.7(c) of the Note Purchase Agreements shall be and are hereby amended by replacing the references to "Section 10.5(b)" with "Section 10.5".

Section 1.7. Schedule B of the Note Purchase Agreements shall be and is hereby amended by amending the definition of *"Creditors"* to read as follows:

"Creditors" means the Agent, the Banks, the holders of the Notes and any other Persons who are holders of notes or similar debt securities issued by the Company and who are parties to the Intercreditor Agreement."

SECTION 2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

Section 2.1. To induce the Noteholders to execute and deliver this First Amendment (which representations shall survive the execution and delivery of this First Amendment), the Company represents and warrants to the Noteholders that:

(a) this First Amendment has been duly authorized, executed and delivered by it and this First Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the Note Purchase Agreements, as amended by this First Amendment, constitute the legal, valid and binding obligations, contracts and agreements of the Company enforceable against it in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(c) the execution, delivery and performance by the Company of this First Amendment (i) has been duly authorized by all requisite corporate action and, if required, shareholder action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its certificate of incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this **Section 2.1(c)**; and

(d) as of the date hereof and after giving effect to this First Amendment, no Default or Event of Default has occurred which is continuing.

SECTION 3. CONDITIONS TO EFFECTIVENESS OF THIS FIRST AMENDMENT.

Section 3.1. This First Amendment shall not become effective until, and shall become effective when, each and every one of the following conditions shall have been satisfied:

(a) executed counterparts of this First Amendment, duly executed by the Company, the Subsidiary Guarantors and the holders of at least 51% of the outstanding principal of the Notes, shall have been delivered to the Noteholders;

(b) the Noteholders shall have received a copy of the resolutions of the Board of Directors of the Company authorizing the execution, delivery and performance by the Company of this First Amendment, certified by its Secretary or an Assistant Secretary;

(c) the representations and warranties of the Company set forth in **Section 2** hereof are true and correct on and with respect to the date hereof; and

(d) the Noteholders shall have received the favorable opinion of counsel to the Company as to the matters set forth in **Sections 2.1(a)**, **2.1(b)** and **2.1(c)** hereof, which opinion shall be in form and substance satisfactory to the Noteholders.

Upon receipt of all of the foregoing, this First Amendment shall become effective.

SECTION 4. MISCELLANEOUS.

Section 4.1. This First Amendment shall be construed in connection with and as part of each of the Note Purchase Agreements, and except as modified and expressly amended by this First Amendment, all terms, conditions and covenants contained in the Note Purchase Agreements and the Notes are hereby ratified and shall be and remain in full force and effect.

Section 4.2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Note Purchase Agreements without making specific reference to this First Amendment but nevertheless all such references shall include this First Amendment unless the context otherwise requires.

Section 4.3. The descriptive headings of the various Sections or parts of this First Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

Section 4.4. This First Amendment shall be governed by and construed in accordance with New York law.

Section 4.5. The Company shall pay the reasonable fees and expenses of Chapman and Cutler LLP, counsel to the Noteholders, in connection with the negotiation, preparation, approval, execution and delivery of this First Amendment, within ten (10) days after Company's. receipt of the invoice therefor

Section 4.6. The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

STERIS CORPORATION

By /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Vice President & Corporate Treasurer**

Accepted as of August 15, 2008.

ACACIA LIFE INSURANCE COMPANY

By: Summit Investment Advisors, Inc. as Agent

By /s/ ANDREW S. WHITE
Name: **Andrew S. White**
Title: **Managing Director—Private Placement**

Accepted as of August 15, 2008.

AMERITAS LIFE INSURANCE CORP.

By: Summit Investment Advisors, Inc. as Agent

By /s/ ANDREW S. WHITE
Name: **Andrew S. White**
Title: **Managing Director—Private Placement**

Accepted as of August 15, 2008.

AMERICAN UNITED LIFE INSURANCE COMPANY

By /s/ MICHAEL I. BULLOCK
Name: **Michael I. Bullock**
Title: **Vice President**

Accepted as of August 15, 2008.

PIONEER MUTUAL LIFE INSURANCE COMPANY

By: American United Life Insurance Company, Its Agent

By /s/ MICHAEL I. BULLOCK
Name: **Michael I. Bullock**
Title: **Vice President**

Accepted as of August 15, 2008.

THE STATE LIFE INSURANCE COMPANY

By: American United Life Insurance Company, Its Agent

By /s/ MICHAEL I. BULLOCK
Name: **Michael I. Bullock**
Title: **Vice President**

Accepted as of August 15, 2008.

ING USA Annuity and Life Insurance Company
(as successor by merger to each of Equitable Life Insurance Company of Iowa and Golden American Life Insurance Company)
RELIASTAR LIFE INSURANCE COMPANY
SECURITY LIFE OF DENVER INSURANCE COMPANY

By: ING Investment Management LLC, as Agent

By /s/ CHRISTOPHER P. LYONS
Name: **Christopher P. Lyons**
Title: **Senior Vice President**

Accepted as of August 15, 2008.

MONY LIFE INSURANCE COMPANY OF AMERICA

By /s/ JEFFREY HUGHES
Name: **Jeffrey Hughes**
Title: **Investment Officer**

Accepted as of August 15, 2008.

PRIMERICA LIFE INSURANCE COMPANY

By: CONNING ASSET MANAGEMENT COMPANY,
as Investment Manager

By /s/ FELICISIMO FALCON
Name: **Felicisimo Falcon**
Title: **Vice President**

Accepted as of August 15, 2008.

METLIFE INSURANCE COMPANY OF CONNECTICUT, F/K/A THE TRAVELERS INSURANCE COMPANY

BY: METROPOLITAN LIFE INSURANCE COMPANY, ITS INVESTMENT MANAGER

METLIFE INSURANCE COMPANY OF CONNECTICUT, AS SUCCESSOR IN INTEREST TO THE TRAVELERS LIFE AND ANNUITY COMPANY

BY: METROPOLITAN LIFE INSURANCE COMPANY, ITS INVESTMETN MANAGER

By /s/ JUDITH A. GULOTTA
Name: **Judith A. Gulotta**
Title: **Managing Director**
(f/k/a The Travelers Insurance Company)

Accepted as of August 15, 2008.

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By /s/ WILLIAM S. ENGELKING
Name: **William S. Engelking**
Title: **Vice President**

Accepted as of August 15, 2008.

TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA

By /s/ BRIAN ROELKE
Name: **Brian Roelke**
Title: **Director**

Accepted as of August 15, 2008.

TIAA-CREF LIFE INSURANCE COMPANY

By: Teachers Insurance and Annuity Association of America, as Investment Manager

By /s/ BRIAN ROELKE
Name: **Brian Roelke**
Title: **Director**

Each of the undersigned hereby confirms its continued Guaranty of the obligations of the Company under the Note Purchase Agreement, as amended hereby, pursuant to the terms of the Subsidiary Guaranty Agreement dated as of December 17, 2003 (as supplemented to date) on this 15th day of August, 2008.

AMERICAN STERILIZER COMPANY
STERIS EUROPE, INC.
STERIS INC.
HTD HOLDING CORP.
HSTD LLC
HAUSTED, INC.
ISOMEDIX INC.
ISOMEDIX OPERATIONS INC.
STERILTEK, INC.
STERILTEK HOLDINGS, INC.
STERIS ISOMEDIX SERVICES INC.

By /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Vice President & Treasurer**

STRATEGIC TECHNOLOGY ENTERPRISES, INC.

By /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Treasurer**

STERIS CORPORATION

$150,000,000

$30,000,000 5.63% Senior Notes, Series A-1, due August 15, 2013
$85,000,000 6.33% Senior Notes, Series A-2, due August 15, 2018
$35,000,000 6.43% Senior Notes, Series A-3, due August 15, 2020

NOTE PURCHASE AGREEMENT

Dated as of August 15, 2008

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(Not a part of the Agreement)

STERIS CORPORATION

5960 HEISLEY ROAD

MENTOR, OHIO 44060-1834

$30,000,000 5.63% Senior Notes, Series A-1, due August 15, 2013
$85,000,000 6.33% Senior Notes, Series A-2, due August 15, 2018
$35,000,000 6.43% Senior Notes, Series A-3, due August 15, 2020

Dated as of August 15, 2008

TO THE PURCHASER LISTED IN THE ATTACHED
SCHEDULE A WHO IS A SIGNATORY HERETO:

Ladies and Gentlemen:

STERIS Corporation, an Ohio corporation (the *"Company"*), agrees with you as follows:

SECTION 1. AUTHORIZATION OF NOTES.

Section 1.1. Series A Notes. The Company will authorize the issuance and sale of (a) $30,000,000 aggregate principal amount of its 5.63% Senior Notes, Series A-1, due August 15, 2013 (the *"Series A-1 Notes"*), (b) $85,000,000 aggregate principal amount of its 6.33% Senior Notes, Series A-2, due August 15, 2018 (the *"Series A-2 Notes"*) and (c) $35,000,000 aggregate principal amount of its 6.43% Senior Notes, Series A-3, due August 15, 2020 (the *"Series A-3 Notes";* the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes are hereinafter referred to as the *"Series A Notes"*). The Series A Notes shall be substantially in the form set out in **Exhibit 1-A**, **Exhibit 1-B** and **Exhibit 1-C**, respectively, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in **Schedule B**; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 1.2. Subsequent Series. Subsequent Series of promissory notes (collectively, the "Supplemental Notes") may be issued pursuant to Supplemental Note Purchase Agreements as provided in **Section 2.3** in an aggregate principal amount not to exceed $100,000,000 and: (a) shall be sequentially identified as "Series B Notes", "Series C Notes", "Series D Notes" *et seq.* and may consist of more than one different and separate tranches, but all such different and separate tranches of the same Series shall constitute one Series; (b) shall be in the aggregate principal amount of not less than $25,000,000 per each such series, (c) shall be dated the date of such Supplemental Note Purchase Agreement, (d) shall bear interest from such date at the rate per annum to be determined as of such date, (e) shall bear interest on overdue principal (including any overdue optional prepayment of principal) and premium, if any, and, to the extent permitted by law, on any overdue installment of interest at the stated rate plus 2%, (f) shall be subject to required amortization, if any, and optional prepayments, and (g) shall be expressed to mature on the stated maturity date, all as set forth in the Supplemental Note Purchase Agreement relating thereto and shall otherwise be substantially in the form attached hereto as **Exhibit 1.2**; *provided*, no Supplemental Notes shall be issued if at the time of issuance thereof and after giving effect to the application of proceeds therefor, any Default or Event of Default shall have occurred and be continuing. The Series A Notes, and the Supplemental Notes are herein sometimes collectively referred to as the "Notes." As used herein, the term "Notes" shall include, without limitation, each Note delivered pursuant to this Agreement, the Other Agreements and any other Supplemental Note Purchase Agreement at the Closing and/or at any Supplemental Closing and each Note delivered in substitution or exchange for any such Note pursuant hereto.

SECTION 2. SALE AND PURCHASE OF NOTES; SUBSEQUENT SALES.

Section 2.1. Initial Sale of Notes. Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in **Section 3**, Series A Notes in the principal amount and of the tranche specified opposite your name in **Schedule A** at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the *"Other Agreements"*) identical with this Agreement with each of the other purchasers named in Schedule A (the *"Other Purchasers"*), providing for the sale at such Closing to each of the Other Purchasers of Series A Notes in the principal amount and of the tranche specified opposite its name in **Schedule A**. You and the Other Purchasers are herein sometimes collectively referred to as the *"Initial Purchasers"*. Your obligation hereunder, and the obligations of the Other Purchasers under the Other Agreements, are several and not joint obligations, and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder. Without limiting the foregoing, the Company understands and agrees that your commitment and that of the Other Purchasers under the Other Agreements to purchase the Series A Notes as herein and therein contemplated does not constitute a commitment, obligation or indication of interest to purchase any Supplemental Notes.

Section 2.2. Guarantees. (a) The payment by the Company of all amounts due with respect to the Notes and the performance by the Company of its obligations under this Agreement and the Other Agreements will be absolutely and unconditionally guaranteed by American Sterilizer Company, a Pennsylvania corporation, STERIS Europe, Inc., a Delaware corporation, STERIS Inc., a Delaware corporation, HTD Holding Corp., a Delaware corporation, HSTD LLC, a Delaware limited liability company, Hausted, Inc., a Delaware corporation, Isomedix Inc., a Delaware corporation, Isomedix Operations Inc., a Delaware corporation, SterilTek, Inc. a Nevada corporation, SterilTek Holdings, Inc. , a Delaware corporation, STERIS Isomedix Services, Inc., a Delaware corporation, and Strategic Technology Enterprises, Inc., a Delaware corporation (together with any additional Subsidiary who delivers a guaranty pursuant to **Section 9.7**, the *"Subsidiary Guarantors"*) pursuant to the guaranty agreement substantially in the form of **Exhibit 2.2(a)** attached hereto and made a part hereof (as the same may be amended, modified, extended or renewed, the *"Subsidiary Guaranty"*).

(b) Any pledge agreements, instruments, documents and agreements pursuant to which the Company or any Subsidiary agrees to grant Liens in favor of the KeyBank National Association or a replacement or substitute national banking association, as collateral agent (the *"Collateral Agent"*) for the ratable benefit of the Creditors are hereinafter referred to as the *"Collateral Documents"*. The Collateral Documents and the Subsidiary Guaranty are hereinafter collectively referred to as the *"Security Documents."*

(c) The enforcement of the rights and benefits in respect of the Security Documents and the allocation of proceeds thereof will be subject to an amended and restated intercreditor agreement dated as of August 15, 2008 entered into by the Agent on behalf of the Banks, a majority in aggregate principal amount of the 2003 Noteholders, the Collateral Agent, you and the Other Purchasers, substantially in the form of **Exhibit 2.2(c)** attached hereto and made a part hereof (as the same may be further amended, supplemented, restated or otherwise modified or replaced from time to time, the *"Intercreditor Agreement"*).

(d) If at any time the Company or any Subsidiary shall grant to any one or more of the Agent, the Banks or the 2003 Noteholders security of any kind or provide any one or more of the Agent, the Banks or the 2003 Noteholders with additional guaranties or other credit support of any kind pursuant to the requirements of the Bank Credit Agreement or the 2003 Note Purchase Agreements, then the Company or such Subsidiary shall grant to the holders of the Notes the same security or guaranty so that the holders of the Notes shall at all times be secured on an equal and pro rata basis with the Banks and the holders of the 2003 Notes pursuant to the Intercreditor Agreement. All such additional guaranties shall be given to the holders of the Notes pursuant to **Section 9.7** of this Agreement.

(e) The holders of the Notes agree that the obligations of any Subsidiary under the Subsidiary Guaranty and the Liens of the Collateral Documents in respect of all or any part of the Collateral therein described shall be automatically released and discharged without the necessity of further action on the part of the holders of the Notes if, and to the extent, the corresponding guaranty or Lien given pursuant to the terms of the Bank Credit Agreement and the 2003 Note Purchase Agreements is released and discharged, *provided* that in the event the Company or any Subsidiary shall again become obligated under or with respect to the previously discharged Subsidiary Guaranty or again grant the discharged Lien, as the case may be, pursuant to the terms and provisions of the Subsidiary Guaranty, a Collateral Document, the Bank Credit Agreement or the 2003 Note Purchase Agreements or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the Lien granted by the Company or its Subsidiaries under a Collateral Document or obligations of such Subsidiary under the Subsidiary Guaranty, as the case may be, shall be reinstated and any release thereof previously given shall be deemed null and void, and such Subsidiary Guaranty shall again benefit the holders of the Notes on an equal and *pro rata* basis and such reinstated Lien and Subsidiary Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the holders of the Notes under this **Section 2.2(e)** shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. Further, any reinstatement of a Subsidiary Guaranty or Lien pursuant to the terms hereof shall comply with the terms of **Sections 9.7** and **9.8** hereof. The Company shall promptly notify the holders of the Notes of any release of a Subsidiary Guaranty pursuant to this **Section 2.2(e)** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

Section 2.3. Subsequent Sales. At any time, and from time to time, the Company and one or more Eligible Purchasers may enter into an agreement substantially in the form of the Supplemental Note Purchase Agreement attached hereto as **Exhibit 2.3** (a *"Supplemental Note Purchase Agreement"*) in which the Company shall agree to sell to each such Eligible Purchaser named on the Supplemental Purchaser Schedule attached thereto (collectively, the *"Supplemental Purchasers"*) and, subject to the terms and conditions herein and therein set forth, each such Supplemental Purchaser shall agree to purchase from the Company the aggregate principal amount of the Series of Supplemental Notes (which series shall be at least $25,000,000 and may consist of more than one different and separate tranches, but all such different and separate tranches of the same Series shall constitute one Series) described in such Supplemental Note Purchase Agreement and set opposite such Supplemental Purchaser's name in the Supplemental Purchaser Schedule attached thereto at the price and otherwise under the terms set forth in such Supplemental Note Purchase Agreement. The sale of the Supplemental Notes of the Series described in such Supplemental Note Purchase Agreement will take place at the location, date and time set forth therein at a closing (a *"Supplemental Closing"*). At such Supplemental Closing the Company will deliver to each such Supplemental Purchaser one or more Notes of the Series to be purchased by such Supplemental Purchaser registered in such Supplemental Purchaser's name (or in the name of its nominee), evidencing the aggregate principal amount of Notes of such Series to be purchased by such Supplemental Purchaser and in the denomination or denominations specified with respect to such Supplemental Purchaser in such Supplemental Purchaser Schedule against payment of the purchase price thereof by transfer of immediately available funds for credit to the Company's account on the date of such Supplemental Closing (a *"Supplemental Closing Date"*) (as specified in a notice to each such Supplemental Purchaser at least three Business Days prior to such Supplemental Closing Date).

SECTION 3. CLOSING.

The sale and purchase of the Series A Notes to be purchased by you and the Other Purchasers shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, IL, at 10:00 A.M. (Chicago time), at a closing (the *"Initial Closing"*) on August 15, 2008. At the Initial Closing the Company will deliver to you the Series A Notes in the tranche to be purchased by you in the form of a single Series A Note for each tranche of the Notes to be purchased by you (or such greater number of Series A Notes in denominations of at least $200,000 as you may request) dated the date of the Initial Closing and registered in your name (or in the name of your

nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to its account at PNC Bank, as referred to in the written instructions delivered pursuant to **Section 4.12** hereof. If at the Initial Closing the Company shall fail to tender such Series A Notes to you as provided above in this **Section 3**, or any of the conditions specified in **Section 4** shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment. The Initial Closing and each Supplemental Closing are hereinafter sometimes each referred to as *"Closing."*

SECTION 4. CONDITIONS TO CLOSING.

Your obligation to execute and deliver this Agreement and the obligations of each Initial Purchaser to purchase and pay for the Series A Notes to be sold at the Initial Closing is subject to the fulfillment to your satisfaction prior to or on the date of Initial Closing to the following conditions set forth in this **Section 4.** Each Supplemental Purchaser's obligation to execute and deliver a Supplemental Note Purchase Agreement and the obligations of each Supplemental Purchaser to purchase and pay for the Notes to be sold at the applicable Supplemental Closing is subject to the fulfillment to such Supplemental Purchasers' satisfaction prior to or on the date of such Closing, of the following conditions set forth in this **Section 4**.

Section 4.1. Representations and Warranties. (a) The representations and warranties of the Company in this Agreement shall be correct when made on the date of the Initial Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and, in the case of any Supplemental Closing, the representations and warranties of the Company in this Agreement, as modified by any amendment, supplement or superseding provision pursuant to the Supplemental Note Purchase Agreement shall be correct when made on the date of such Supplemental Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(b) The representations and warranties of each Subsidiary Guarantor in the Subsidiary Guaranty shall be correct when made on the date of the Initial Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date), and, in the case of any Supplemental Closing, the representations and warranties of the Subsidiary Guarantor, as modified by any amendment, supplement or superseding provision pursuant to any supplemental agreement shall be correct when made on the date of such Supplemental Closing (or if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

Section 4.2. Performance; No Default. (a) The Company shall have performed and complied with all material agreements and conditions contained in this Agreement (or in the applicable Supplemental Note Purchase Agreement) required to be performed or complied with by it prior to or at the time of such applicable Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by **Schedule 5.14**), no Default or Event of Default shall have occurred and be continuing.

(b) Each Subsidiary Guarantor shall have performed and complied with all material agreements and conditions contained in the Subsidiary Guaranty required to be performed and complied with by it prior to or at the time of such applicable Closing, and after giving effect to the issue and sale of Notes (and the application of the proceeds thereof as contemplated by **Schedule 5.14**), no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate*. The Company shall have delivered to you an Officer's Certificate, dated the date of such applicable Closing, certifying that the conditions specified in **Sections 4.1(a), 4.2(a)** and **4.11** have been fulfilled.

(b) *Subsidiary Guarantor Officer's Certificate.* Each Subsidiary Guarantor shall have delivered to you a certificate of an authorized officer, dated the date of such applicable Closing certifying that the conditions set forth in **Sections 4.1(b)**, **4.2(b)** and **4.11** have been fulfilled.

(c) *Authorization Certificate*. The Company shall have delivered to you a certificate dated the date of such applicable Closing certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes, the Agreement, the Other Agreements or the Supplemental Note Purchase Agreement, as the case may be, and the Security Documents to which it is a party.

(d) *Subsidiary Guarantor Authorization Certificate*. Each Subsidiary Guarantor shall have delivered to you a certificate dated the date of such applicable Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Subsidiary Guaranty.

Section 4.4. Opinions of Counsel. You shall have received opinions in form and substance satisfactory to you, dated the date of such applicable Closing (a) from Jones Day, counsel for the Company and the Subsidiary Guarantors, and/or such other counsel for the Company and the Subsidiary Guarantors, which may include in-house counsel, covering the matters set forth in **Exhibit 4.4(a)** (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Chapman and Cutler LLP, your special counsel in connection with such transactions, substantially in the form set forth in **Exhibit 4.4(b)** and covering such other matters incident to such transactions as you may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of such applicable Closing your purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date of the applicable Closing. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with such applicable Closing, the Company shall sell to the Other Purchasers, and the Other Purchasers shall purchase, the Notes to be purchased by them at such Closing as specified in **Schedule A** to this Agreement or the Supplemental Note Purchase Agreement, as the case may be.

Section 4.7. Bank Credit Agreement, Security Documents, Etc. (a) All necessary consents and acknowledgements relating to the Bank Credit Agreement, the 2003 Note Purchase Agreements, the Security Documents and the Intercreditor Agreement shall be in form and substance satisfactory to you and your special counsel, shall have been duly executed and delivered by the parties thereto and shall be in full force and effect and you shall have received true, correct and complete copies of each thereof.

(b) At each Supplemental Closing, the Security Documents (including, without limitation, the Subsidiary Guaranty) and the Intercreditor Agreement shall be amended and/or supplemented as necessary to include the Supplemental Notes thereunder.

Section 4.8. [Reserved].

Section 4.9. [Reserved]

Section 4.10. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each tranche of the Series of Notes then to be issued.

Section 4.11. Changes in Corporate Structure. Other than as permitted by the terms of this Agreement after the Initial Closing, the Company and the Subsidiary Guarantors shall not have changed their jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in **Schedule 5.5**.

Section 4.12. Funding Instructions. At least three Business Days prior to the date of such Closing, you shall have received written instructions executed by a Responsible Officer of the Company directing the manner of the payment of funds and setting forth (a) the name and address of the transferee bank, (b) such transferee bank's ABA number, (c) the account name and number into which the purchase price for the Notes is to be deposited, (d) the name and telephone number of the account representative responsible for verifying receipt of such funds and (e) any other information that may be required to effect such transfer.

Section 4.13. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you on the date of the Initial Closing those representations and warranties set forth in **Sections 5.1** through **Section 5.17**:

The Purchasers and the holders of the Notes recognize and acknowledge that the Company may supplement or amend, as appropriate, the following representations and warranties, as well as the schedules related thereto, pursuant to a Supplemental Note Purchase Agreement on the date of each Supplemental Closing; *provided* that no such supplement or amendment to any representation or warranty applicable to any Supplemental Closing shall change or otherwise modify or be deemed or construed to change or otherwise modify any representation or warranty given on the date of the Initial Closing or any determination of the falseness or inaccuracy thereof within the limitations of **Section 11(e)**.

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the Other Agreements, the Notes and the Security Documents to which it is a party and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement, the Other Agreements, the Notes and the Security Documents to which it is a party have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof and upon receipt of consideration therefor each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by

(a) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, JPMorgan Securities Inc. has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated July 8, 2008 as amended or supplemented (the *"Memorandum"*), relating to the transactions contemplated hereby. This Agreement, the Memorandum, the Securities and Exchange Commission filings, press releases and other documents identified in **Schedule 5.3** and the financial statements listed in **Schedule 5.5**, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in the light of the circumstances under which they were made. Since March 31, 2008, there has been no change in the financial condition, operations, business or properties of the Company or any of its Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect, except as disclosed in **Schedule 5.8**.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) **Schedule 5.4** is (except as noted therein) a complete and correct list (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and (ii) of the Company's Restricted Subsidiaries.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in **Schedule 5.4** as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in **Schedule 5.4** and except for Liens permitted by **Section 10.3(e)**).

(c) Each Subsidiary identified in **Schedule 5.4** is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

Section 5.5. Financial Statements. The Company has made available to each Purchaser copies of the consolidated financial statements of the Company and its Subsidiaries included in those reports listed on **Schedule 5.5**. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement, the Other Agreements, the Notes and the Security Documents to which its is a party will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary (except the creation of Liens contemplated by the Collateral Documents) under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other Material agreement or instrument to which the

Company or any Restricted Subsidiary is bound or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Restricted Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Restricted Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Company is required in connection with the execution, delivery or performance by the Company of this Agreement, the Other Documents, the Notes or the Security Documents to which it is a party.

S*ection 5.8. Litigation; Observance of Statutes and Orders.* (a) Except as disclosed in **Schedule 5.8**, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Restricted Subsidiary or any property of the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Except as disclosed in **Schedule 5.8**, neither the Company nor any Restricted Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Restricted Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Restricted Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The federal income tax liabilities of the Company and its Subsidiaries are not subject to further review by the Internal Revenue Service and have been paid, for all fiscal years up to and including the fiscal year ended March 31, 2005.

Section 5.10. Title to Property; Leases. The Company and its Restricted Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in **Section 5.5** or acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement except for those defects in title and Liens that individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. Except as disclosed in **Schedule 5.11**, the Company and its Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance which have not resulted in and would not reasonably be expected to result in a Material Adverse Effect. Neither the

Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 436 or 430 of the Code (or the predecessor provisions of Sections 401(a)(29) or 412 of the Code), other than such liabilities or Liens as would not be individually or in the aggregate reasonably be expected to be Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $20,000,000. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under Section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by Section 4980B of the Code) of the Company and its Restricted Subsidiaries does not exceed $90,000,000.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax could be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this **Section 5.12(e)** is made in reliance upon and subject to the accuracy of your representation in **Section 6.2** as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

Section 5.13. Private Offering by the Company. Neither the Company nor, assuming the accuracy of the Offeree Letters, anyone acting on its behalf has offered the Series A Notes, the Subsidiary Guaranties or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than 25 other Institutional Investors, each of which has been offered the Series A Notes at a private sale for investment. Neither the Company nor, assuming the accuracy of the Offeree Letter, anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes or the Subsidiary Guaranties to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series A Notes as set forth in **Schedule 5.14**. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt. **Schedule 5.15** sets forth a complete and correct list of all outstanding Debt with an aggregate outstanding principal amount in excess of $10,000,000 (*provided* that the aggregate amount of all such Debt not listed on **Schedule 5.15** does not exceed $25,000,000) of the Company and its Restricted Subsidiaries as of July 31, 2008, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Restricted Subsidiaries. Neither the Company nor any Restricted Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Restricted Subsidiary and no event or condition exists with respect to any Debt of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment, other than with respect to any such Debt, a default under which would not individually or in the aggregate have a Material Adverse Effect.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto. Without limiting the foregoing, (1) neither the Company nor any Subsidiary (i) is or will become a person whose property or interests in property are blocked pursuant to Section 1 of United States Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)) or (ii) to its knowledge after reasonable inquiry, engages or will engage in any dealings or transactions, or be otherwise associated, with any such person and (2) the Company and its Subsidiaries are in compliance, in all Material respects, with the U.S.A. Patriot Act of 2001 (signed into law October 26, 2001).

(b) No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is an "investment company", nor controlled by an "investment company", required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 2005, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. (a) You represent that (i) you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof; *provided* that the disposition and sale of your or their property shall at all times be within your or their control, and (ii) you and any such pension or trust funds are a "qualified institutional buyer" within the meaning of Rule 144A(a)(1) under the Securities Act. You understand that the Notes and the Subsidiary Guaranties have not been, and will not be, registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes and the Subsidiary Guaranties.

(b) Each Initial Purchaser further represents that in connection with the offer and sale of the Notes:

(i) it, or its representatives, received the Memorandum on or before July 18, 2008;

(ii) its, or its representative's, decision to submit a bid was made prior to July 18, 2008 and such decision was not influenced in any way by information provided after such date;

(iii) it, or its representative, was invited to join a "Management Call" to discuss the business of the Company in connection with the Memorandum, the Notes and the Subsidiary Guaranties on July 10, 2008 and either (A) it did participate in such "Management Call" or (B) it had the opportunity to listen, and did listen, to a replay of such "Management Call" prior to July 18, 2008; and

(iv) it, or its representatives have had the opportunity to ask questions of the Company and receive answers concerning the terms and conditions of the sale of the Series A Notes.

Section 6.2. Source of Funds. You represent that at least one of the following statements is an accurate representation as to each source of funds (a "*Source*") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account" (as the term is defined in the United States Department of Labor's Prohibited Transaction Exemption ("*PTE*") 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the National Association of Insurance Commissioners (the "*NAIC Annual Statement*")) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed ten percent (10%) of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with your state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with your fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1, or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as have been disclosed by you to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, as of the last day of its most recent calendar quarter, the QPAM does not own a 10% or more interest in the Company and no Person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 20% or more interest in the Company (or less than 20% but greater than 10%, if such person exercises control over the management or policies of the Company by reason of its ownership interest) and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "*INHAM Exemption*")) managed by an "in-house asset manager" or "INHAM" (within the meaning of

Part IV of the INHAM Exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a Person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this **Section 6.2**, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO THE COMPANY.

Section 7.1. Financial and Business Information. The Company shall furnish to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements*—within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments; *provided* that delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this **Section 7.1(a)**;

(b) *Annual Statements*—within 140 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified

public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and *provided* that the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this **Section 7.1(b)**;

(c) *SEC and Other Reports*—promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission;

(d) *Notice of Default or Event of Default*—promptly, and in any event within five Business Days after a Responsible Officer becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters*—promptly, and in any event within five Business Days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in Section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening in writing by the PBGC of the institution of, proceedings under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) *Unrestricted Subsidiaries*—if and for so long as Unrestricted Subsidiaries contribute in the aggregate 10% or more of the Consolidated Total Assets or 10% or more of Consolidated EBITDA in any fiscal period of the Company and its consolidated Subsidiaries, then the Company shall be required, within the respective periods provided in **Sections 7.1(a)** and **7.1(b)**, to provide consolidated financial statements of the Company and its Restricted Subsidiaries pursuant to **Sections 7.1(a)** and **7.1(b)**, without taking into consideration the financial statements pertaining to Unrestricted Subsidiaries, together with a table reflecting eliminations or adjustments required to reconcile such financial statements to the financial statements of the Company and its consolidated Subsidiaries, with the effect and result that financial terms and definitions used in determining compliance with financial covenants herein contained shall apply to the Company and its Restricted Subsidiaries, rather than the Company and its consolidated Subsidiaries;

(g) *Requested Information*—with reasonable promptness, such other available information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, including any such requests in connection with a formal request by the Securities Valuation Office of the NAIC (or any successor to the duties thereof) related to the assignment or maintenance of a designation of a rating with respect to the Notes;

(h) *Supplemental Note Purchase Agreements*—promptly, and in any event within ten Business Days after the issuance of any Supplemental Notes, a correct and complete copy of the Supplemental Note Purchase Agreement executed in connection with such issuance.

Section 7.2. Officer's Certificate. Each set of financial statements furnished to a holder of Notes pursuant to **Section 7.1(a)** or **Section 7.1(b)** hereof shall be accompanied or preceded by a certificate of a Senior Financial Officer setting forth:

(a) *Covenant Compliance*—the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of **Sections 10.1** through **Section 10.2** hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) *Event of Default*—a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Restricted Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Electronic Delivery. Financial statements and officers' certificates required to be delivered by the Company to a holder of Notes pursuant to **Sections 7.1(a), (b)** or **(c)** and **Section 7.2** shall be deemed to have been delivered if (i) such financial statements satisfying the requirements of **Section 7.1(a)** or **(b)** and related certificate satisfying the requirements of **Section 7.2** are delivered to the holder of Notes by e-mail at the email address provided to the Company by such holder in writing or (ii) the Company shall have timely filed such Form 10-Q or Form 10-K, satisfying the requirements of **Section 7.1(a)** or **(b)** as the case may be, with the SEC on "EDGAR" and shall have made such Form available on its home page on the worldwide web (at the date of this Agreement located at www.steris.com) and shall have delivered the related certificate satisfying the requirements of **Section 7.2** to the holder of the Notes by e-mail at the email address provided to the Company by such holder in writing or (iii) such financial statements satisfying the requirements of **Section 7.1(a)** or **(b)** and related certificate satisfying the requirements of **Section 7.2** are timely posted by or on behalf of the Company in IntraLinks or on any other similar website to which each holder of Notes has free access or (iv) the Company shall have filed any of the items referred to in **Section 7.1(c)** with the SEC on "EDGAR", and shall have made such items available on its home page on the worldwide web or if any of such items are timely posted by or on behalf of the Company on IntraLinks or any other similar website to which each holder of Notes has free access; *provided however*, that in the case of any of clause (ii), (iii) or (iv) the Company shall concurrently with such filing or posting give notice to each holder of Notes of such posting or filing and *provided further*, that upon request of any holder, the Company will thereafter deliver written copies of such forms, financial statements and certificates to such holder. Each holder shall be responsible for providing its email address to the Company on a timely basis to enable the Company to effect deliveries via

email pursuant to clauses (i) or (ii) above. Notwithstanding the foregoing or any Intralinks or similar electronic delivery, the parties agree that the provisions of **Section 20** shall control the actions of the parties with respect to Confidential Information delivered to, or received by, the holders of the Notes.

Section 7.4. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default*—if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with a Senior Financial Officer of the Company, and, with the consent of the Company (which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default*—if a Default or Event of Default then exists, at the expense of the Company and upon reasonable prior notice to the Company, to visit and inspect any of the offices or properties of the Company or any Restricted Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective Senior Financial Officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries), all at such times and as often as may be reasonably requested in writing.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1. Required Prepayments. No regularly scheduled prepayment of the principal of any tranche of the Series A Notes is required prior to the final maturity thereof.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, any Series of the Notes, in an amount not less than 10% of the aggregate principal amount of such Series of the Notes then outstanding (but if in the case of a partial prepayment, then against each tranche within such Series of Notes in proportion to the aggregate principal amount outstanding of each tranche of such Series), at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of the Series of Notes to be prepaid written notice of each optional prepayment under this **Section 8.2** not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Series of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with **Section 8.3**), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of the Series of Notes to be prepaid a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Allocation of Partial Prepayments. In the case of any partial prepayment of the Notes of any Series pursuant to **Section 8.2**, the principal amount of the Notes of such Series to be prepaid shall be allocated among each tranche of the Notes of such Series at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts of each tranche of the Notes of such Series not theretofore called for prepayment.

Section 8.4. Maturity; Surrender, Etc. In the case of each prepayment of Notes of any Series pursuant to this **Section 8**, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.5. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding tranches of the Notes of any Series except (a) upon the payment or prepayment of each tranche of the Notes of such Series in accordance with the terms of this Agreement or the applicable Supplemental Note Purchase Agreement pursuant to which the Notes of such Series were issued or (b) pursuant to an offer to purchase made by the Company or an Affiliate *pro rata* to the holders of all Notes of such Series at the time outstanding upon the same terms and conditions. Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 51% of the principal amount of the Notes of such Series then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such Series of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement or the applicable Supplemental Note Purchase Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.6. Make-Whole Amount. The term *"Make-Whole Amount"* means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal; *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (a) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page USD" of the Bloomberg Financial Markets Services Screen (or, if not available, any other national recognized trading screen reporting on-line intraday trading in the U.S. Treasury securities) for actively traded on-the-run U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (b) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as

of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded on-the-run U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (i) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (ii) interpolating linearly between (1) the actively traded on-the-run U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded on-the-run U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"*Remaining Average Life*" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (i) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (ii) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"*Remaining Scheduled Payments*" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date; *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to **Section 8.2** or **12.1**.

"*Settlement Date*" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to **Section 8.2** or has become or is declared to be immediately due and payable pursuant to **Section 12.1**, as the context requires.

Section 8.7. Change in Control.

(a) *Notice of Change in Control or Control Event.* Subject to compliance with applicable law and other Company obligations, the Company will, within five Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to subparagraph (b) of this **Section 8.7**. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this **Section 8.7** and shall be accompanied by the certificate described in subparagraph (g) of this **Section 8.7**.

(b) *Condition to Company Action.* The Company will not take any action that consummates a Change in Control unless (i) at least 15 Business Days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in subparagraph (c) of this **Section 8.7**, accompanied by the certificate described in subparagraph (g) of this **Section 8.7**, and (ii) subject to subparagraph (d), contemporaneously with the consummation of such Change in Control, it prepays all Notes required to be prepaid in accordance with this **Section 8.7**.

(c) *Offer to Prepay Notes.* The offer to prepay Notes contemplated by subparagraphs (a) and (b) of this **Section 8.7** shall be an offer to prepay, in accordance with and subject to this **Section 8.7**, all, but not less than all, the Notes held by each holder (in this case only, "*holder*" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "*Proposed Prepayment Date*"). If such Proposed Prepayment Date is in connection with an offer contemplated

by subparagraph (a) of this **Section 8.7**, such date shall be (subject to subparagraph (f)) not less than 30 days and not more than 120 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the first Business Day after the 45th day after the date of such offer).

(d) *Acceptance/Rejection.* A holder of Notes may accept the offer to prepay made pursuant to this **Section 8.7** by causing a notice of such acceptance to be delivered to the Company on or before the date specified in the certificate described in paragraph (g) of this **Section 8.7.** A failure by a holder of Notes to respond to an offer to prepay made pursuant to this **Section 8.7,** or to accept an offer as to all the Notes held by the holder, within such time period shall be deemed to constitute rejection of such offer by such holder.

(e) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this **Section 8.7** shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment, but without Make-Whole Amount or other premium. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this **Section 8.7**.

(f) *Deferral Pending Change in Control.* The obligation of the Company to prepay Notes pursuant to the offers required by subparagraphs (a) and (b) and accepted in accordance with subparagraph (d) of this **Section 8.7** is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control has not occurred on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until, and shall be made on, the date on which such Change in Control occurs. Subject to compliance with applicable law and other Company obligations, the Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this **Section 8.7** in respect of such Change in Control shall be deemed rescinded).

(g) *Officer's Certificate.* Each offer to prepay the Notes pursuant to this **Section 8.7** shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this **Section 8.7**; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this **Section 8.7** have been fulfilled; (vi) in reasonable detail, the nature and date or proposed date of the Change in Control; and (vii) the date by which any holder of a Note that wishes to accept such offer must deliver notice thereof to the Company, which date shall not be earlier than three Business Days prior to the Proposed Prepayment Date or, in the case of a prepayment pursuant to **Section 8.7(b)**, three Business Days prior to the date of the action referred to in **Section 8.7(b)(i)**.

(h) *Securities Laws.* The Company will comply with all applicable requirements of the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change in Control. To the extent that the provisions of any such securities laws or regulations conflict with the provisions of this **Section 8.7**, the Company will comply with those securities laws and regulations and will not be deemed to have breached its obligations under this **Section 8.7** by virtue of any such conflict.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Restricted Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as the Company reasonably deems prudent.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear or any casualty which would not, individually or in the aggregate, have a Material Adverse Effect), so that the business carried on in connection therewith may be properly conducted at all times; *provided* that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.4. Payment of Taxes. The Company will, and will cause each of its Restricted Subsidiaries to, file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have become due and payable and before they have become delinquent; *provided* that neither the Company nor any Restricted Subsidiary need pay any such tax or assessment if (a) the amount, applicability or validity thereof is contested by the Company or such Restricted Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Restricted Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (b) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. Except as permitted by **Section 10.4**, the Company will at all times preserve and keep in full force and effect its corporate existence. Except as permitted by **Sections 10.4** and **10.5**, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Notes to Rank Pari Passu. The Notes and all other obligations under this Agreement of the Company are and at all times shall rank at least *pari passu* in right of payment with all other present and future unsecured Debt (actual or contingent) of the Company which is not expressed to be subordinate or junior in rank to any other unsecured Debt of the Company.

Section 9.7. Guaranty by Subsidiaries. The Company will cause each Subsidiary which delivers a Guaranty pursuant to the Bank Credit Agreement or the 2003 Note Purchase Agreements or becomes an obligor, co-obligor, borrower or co-borrower under the Bank Credit Agreement or the 2003 Note Purchase Agreements to concurrently enter into a Subsidiary Guaranty, and within three Business Days thereafter will deliver to each of the holders of the Notes the following items:

(a) an executed counterpart of the joinder agreement pursuant to which such Subsidiary has become bound by the Subsidiary Guaranty;

(b) a certificate signed by the President, a Vice President or another authorized Responsible Officer of such Subsidiary making representations and warranties to the effect of those contained in **Sections 5.1, 5.2, 5.6** and **5.7**, but with respect to such Subsidiary and the Subsidiary Guaranty, as applicable;

(c) such documents and evidence with respect to such Subsidiary as the Required Holders may reasonably request in order to establish the existence and good standing of such Subsidiary and the authorization of the transactions contemplated by the Subsidiary Guaranty; and

(d) an opinion of counsel satisfactory to the Required Holders to the effect that such Subsidiary Guaranty has been duly authorized, executed and delivered and constitutes the legal, valid and binding contract and agreement of such Subsidiary enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

Section 9.8. Stock Pledges. If at any time, pursuant to the terms and conditions of the Bank Credit Agreement or the 2003 Note Purchase Agreements, the Company or any existing or newly acquired or formed Subsidiary shall pledge, grant, assign or convey to the Banks or holders of the 2003 Notes, or any one or more of them, a Lien on the stock of any foreign Subsidiary, the Company or such Subsidiary shall execute and concurrently deliver to the Collateral Agent for the benefit of the holders of the Notes a stock pledge in substantially the same form as delivered to the Banks or holders of the 2003 Notes, or any one or more of them, or the lien granted for the benefit of the Banks or holders of the 2003 Notes shall also be for the benefit of the holders of the Notes and the Company shall deliver, or shall cause to be delivered, to the holders of the Notes (a) all such certificates, resolutions, legal opinions and other related items in substantially the same forms as those delivered to and accepted by the Banks or holders of the 2003 Notes and (b) all such amendments to this Agreement, the Intercreditor Agreement and the Collateral Documents as may reasonably be deemed necessary by the holders of the Notes in order to reflect the existence of such Lien on the shares of foreign Subsidiary stock and the Company's compliance with the requirements of **Section 9.6** with respect to any such stock pledge granted to or for the benefit of the holders of the Notes and to or for the benefit of the Banks or the holders of the 2003 Notes.

Section 9.9. Restricted Subsidiaries. (a) Subject to paragraph (b) below the Company will at all times, (i) maintain the aggregate value of the assets of the Company and the then existing Restricted Subsidiaries, at not less than 85% of Consolidated Total Assets and (ii) ensure that not less than 85% of Consolidated EBITDA for each period is attributable to the Company and the then existing Restricted Subsidiaries.

(b) If at any time, (i) the aggregate consolidated value of the assets of the Company and the then existing Restricted Subsidiaries do not together account for 85% or more of Consolidated Total Assets or (ii) less than 85% of Consolidated EBITDA for a period is attributable to the Company and the then existing Restricted Subsidiaries, the Company shall promptly designate, pursuant to **Section 10.7**, such other Subsidiaries of the Company (which would not otherwise be Restricted Subsidiaries) to be Restricted Subsidiaries hereunder so that such 85% thresholds are satisfied.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Consolidated Net Worth. The Company will, based on the financial statements for the most recently completed fiscal quarter, at all times keep and maintain Consolidated Net Worth at an amount not less than $440,000,000.

Section 10.2. Limitations on Debt. (a) The Company will not at any time permit the ratio of (i) Consolidated Total Debt to (ii) Consolidated EBITDA for the immediately preceding four consecutive fiscal quarter period to exceed 3.25 to 1.0.

(b) The Company will not at any time permit Priority Debt to exceed 20% of Consolidated Total Capitalization.

Section 10.3. Limitation on Liens . The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for taxes and assessments or governmental charges or levies and Liens securing claims or demands of mechanics and materialmen; provided that payment thereof is not at the time required by **Section 9.4** or such Liens are being contested in good faith by the Company or any Restricted Subsidiary;

(b) Liens of or resulting from any judgment or award, (i) the time for the appeal or petition for rehearing of which shall not have expired, or (ii) in respect of which the Company or a Restricted Subsidiary shall at all times in good faith be prosecuting an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured; *provided* that the Company or such Restricted Subsidiary (1) is contesting such judgment or award on a timely basis, in good faith and by appropriate proceedings, and (2) has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Restricted Subsidiary, as the case may be;

(c) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory and contractual landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature, in any such case incurred in the ordinary course of business and not in connection with the borrowing of money;

(d) survey exceptions or minor encumbrances, leases or subleases granted to others, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, (i) which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and (ii) which do not in any event materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries taken as a whole;

(e) Liens created or incurred under the Collateral Documents and Liens granted to the Agent or the Banks in connection with the Bank Credit Agreement which, in each case, are subject to the terms of the Intercreditor Agreement;

(f) Liens existing as of the date of the Initial Closing and (1) described on **Schedule 5.15** hereto or (2) securing Debt with an aggregate outstanding principal amount not in excess of $10,000,000;

(g) Liens created or incurred after the date of the Initial Closing given to secure the payment of all or a portion of the purchase price incurred in connection with the acquisition or purchase or the cost of construction of property or of assets useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including Liens existing on such property or assets at the time of acquisition thereof or at the time of completion of construction, as the case may be, whether or not such existing Liens were given to secure the payment of the acquisition or purchase price or cost of construction, as the case may be, of the property or assets to which they attach and any Lien existing on property or assets of a Person at the time such Person is consolidated with or merged into the Company or a Restricted Subsidiary or becomes a Restricted Subsidiary; *provided* that (i) the Lien shall attach solely to the property or assets acquired, purchased or constructed, (ii) such Lien shall have been created or incurred within 12 months of the date of acquisition or purchase or completion of construction, as the case may be, (iii) at the time of acquisition or purchase or of completion of construction of such property or assets, the aggregate amount remaining unpaid on all Debt secured by Liens on such property or assets, whether or not assumed by the Company or a Restricted Subsidiary, shall not exceed an amount equal to 100% of the lesser of the total purchase price or fair market value at the time of acquisition or purchase (as determined in good faith by the Board of Directors of the Company) or the cost of construction on the date of completion thereof, (iv) Debt secured by any such Lien shall have been created or incurred within the applicable limitations provided in Section 10.2, and (v) at the time of creation, issuance, assumption, guarantee or incurrence of the Debt secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist;

(h) any Lien created or incurred after the date of the Initial Closing in favor of any Governmental Authority to secure payments pursuant to any contract;

(i) Liens created or incurred after the date of the Initial Closing given to secure Debt of the Company or any Restricted Subsidiary in addition to the Liens permitted by the preceding clauses (a) through (h) hereof; *provided* that (i) all Debt secured by such Liens shall have been incurred within the limitations provided in **Section 10.2** and (ii) at the time of creation, issuance, assumption, guarantee or incurrence of the Debt secured by such Lien and after giving effect thereto and to the application of the proceeds thereof, no Default or Event of Default would exist;

(j) Liens on property or assets of (1) a Restricted Subsidiary to secure obligations of such Restricted Subsidiary to the Company or a Wholly-Owned Restricted Subsidiary or (2) the Company to secure obligations of the Company to a Wholly-Owned Restricted Subsidiary;

(k) any extension, renewal or refunding of any Lien permitted by the preceding clauses (a) through (j) of this **Section 10.3** in respect of the same property theretofore subject to such Lien in connection with the extension, renewal or refunding of the Debt secured thereby; *provided* that (i) such extension, renewal or refunding of Debt shall be without increase in the principal amount remaining unpaid as of the date of such extension, renewal or refunding, (ii) such Lien shall attach solely to the same or substitute such property, and (iii) at the time of such extension, renewal or refunding and after giving effect thereto, no Default or Event of Default would exist; and

(l) customary provisions in joint venture or similar agreements restricting the sale or transfer of the interest in such joint venture or other similar entity.

Section 10.4. Mergers and Consolidations, Etc. The Company will not, and will not permit any Restricted Subsidiary to, consolidate with or be a party to a merger with any other Person, or sell, lease or otherwise dispose of all or substantially all of its assets; *provided* that:

(a) any Restricted Subsidiary may merge or consolidate with or into, or transfer all or substantially all of its assets to, the Company or any Restricted Subsidiary so long as in (i) any merger or consolidation involving the Company, the Company shall be the surviving or continuing entity and (ii) in any merger or

consolidation involving a Restricted Subsidiary (and not the Company), the Restricted Subsidiary shall be the surviving or continuing entity and, after giving effect to such merger or consolidation, the Company or one or more Restricted Subsidiaries shall own not less than the same percentage of Voting Stock of the continuing or surviving Restricted Subsidiary as the Company or one or more Restricted Subsidiaries owned of the merged or consolidated Restricted Subsidiary immediately prior to such merger or consolidation;

(b) the Company may consolidate or merge with or into any other entity if (i) the entity which results from such consolidation or merger (the *"surviving entity"*) is organized under the laws of any state or jurisdiction of the United States or the District of Columbia, Canada, the United Kingdom, a member of the European Union on the date of this Agreement (other than Greece or Spain), Japan or Australia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all of the Notes, according to their tenor, and the due and punctual performance and observation of all of the covenants in the Notes, this Agreement and any Supplemental Note Purchase Agreement to be performed or observed by the Company are expressly assumed in writing by the surviving entity, (iii) each of the Subsidiary Guarantors shall have confirmed in writing the due and punctual performance and observation of all of its covenants and agreements contained in the Subsidiary Guaranty and (iv) at the time of such consolidation or merger and immediately after giving effect thereto, no Default or Event of Default would exist;

(c) the Company may sell or otherwise dispose of all or substantially all of its assets to any Person for consideration which represents the fair market value of such assets (as determined in good faith by the Board of Directors of the Company) at the time of such sale or other disposition if (i) the acquiring Person is an entity organized under the laws of any state or jurisdiction of the United States or the District of Columbia, Canada, the United Kingdom, a member of the European Union on the date of this Agreement (other than Greece or Spain), Japan or Australia, (ii) the due and punctual payment of the principal of and premium, if any, and interest on all the Notes, according to their tenor, and the due and punctual performance and observance of all of the covenants in the Notes, in this Agreement and any Supplemental Note Purchase Agreement to be performed or observed by the Company are expressly assumed in writing by the acquiring entity, (iii) each of the Subsidiary Guarantors shall have confirmed in writing the due and punctual performance and observation of all of its covenants and agreements contained in the Subsidiary Guaranty and (iv) at the time of such sale or disposition and immediately after giving effect thereto, no Default or Event of Default would exist; and

(d) any Restricted Subsidiary may sell, lease or otherwise dispose of all or substantially all of its assets in connection with a sale, lease or other disposition permitted under **Section 10.5**.

Section 10.5. Sale of Assets. The Company will not, and will not permit any Restricted Subsidiary to, sell, lease, transfer, abandon or otherwise dispose of assets (except assets sold, leased, transferred or otherwise disposed of in the ordinary course of business for fair market value and except as provided in **Section 10.4(a)** and **Section 10.4(c)**; *provided* that the foregoing restrictions do not apply to:

(a) the sale, lease, transfer or other disposition of assets of a Restricted Subsidiary to the Company or a Restricted Subsidiary of which the Company or one or more Restricted Subsidiaries shall own not less than the same percentage of Voting Stock as the Company or one or more Restricted Subsidiaries then own of the Restricted Subsidiary making such sale, lease, transfer or other disposition; or

(b) the sale, lease, transfer or other disposition of assets of the Company to a Wholly-Owned Restricted Subsidiary that is a Subsidiary Guarantor and which is not liable for any Priority Debt unless the creditors of such Priority Debt are parties to the Intercreditor Agreement; or

(c) the abandonment of assets of the Company or a Restricted Subsidiary that are no longer useful or intended to be used in the operation of the business of the Company and its Restricted Subsidiaries, *provided* that such abandonment would not, individually or in the aggregate, have a Material Adverse Effect;

(d) the sale, lease, transfer or other disposition of assets for cash or other property to a Person or Persons if all of the following conditions are met:

(i) such assets (valued at net book value) do not, together with all other assets of the Company and its Restricted Subsidiaries previously disposed of during the fiscal year (other than in the ordinary course of business), exceed 15% of Consolidated Total Assets, determined as of the end of the immediately preceding fiscal year;

(ii) in the good faith opinion of the Company, the sale is for fair value and is in the best interests of the Company; and

(iii) in the event such Person is an Affiliate, the terms of such sale, lease, transfer or disposition are no less favorable to the Company or such Restricted Subsidiary than would be obtained in a transaction with a Person other than an Affiliate; and

(iv) immediately after the consummation of the transaction and after giving effect thereto, no Default or Event of Default would exist;

provided, however, that for purposes of the foregoing calculation, there shall not be included any assets the proceeds of which were or are applied within three months before or twelve months after the date of sale of such assets to either (y) the acquisition of, or reinvestment in, assets useful and intended to be used in the operation of the business of the Company and its Restricted Subsidiaries and having a fair market value (as determined in good faith by the Company) at least equal to that of the assets so disposed of or (z) the prepayment or payment of principal and accrued but unpaid interest, if any, and the applicable prepayment premium, if any, of Debt of the Company. It is understood and agreed by the Company that any such proceeds paid and applied to the prepayment of the Notes as hereinabove provided shall be offered and prepaid as and to the extent provided below:

(w) the offer to prepay Notes contemplated by this **Section 10.5** shall be an offer to each of the holders of the Notes to prepay on a date specified in such offer, which date shall be not less than 30 days and not more than 120 days after the date of such offer (if the proposed prepayment date shall not be specified in such offer, the proposed prepayment date shall be the first Business Day after the 45th day after the date of such offer), all, or a *pro rata* part of, the Notes held by such holder at par and without payment of Make-Whole Amount or other premium;

(x) any holder of the Notes may accept or decline any offer of prepayment pursuant to this **Section 10.5** by causing a notice of such acceptance or rejection to be delivered to the Company not later than 15 days after receipt by such holder of such offer of prepayment;

(y) the failure of any such holder to accept or decline any such offer of prepayment shall be deemed to be an election by such holder to decline such prepayment; and

(z) if such offer is so accepted, the proceeds so offered towards the prepayment of the Notes and accepted shall be prepaid and applied to 100% of the principal amount to be prepaid, together with interest accrued thereon to the date of such prepayment; *provided* that such prepayment shall be at par without payment of Make-Whole Amount or other premium.

To the extent that any holder of the Notes declines or is deemed to have declined such offer of prepayment, the amount of the prepayment offered to such holder shall be used by the Company to prepay other Debt, if any.

Section 10.6. Transactions with Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, enter into or be a party to any transaction or arrangement with any Affiliate (including, without limitation, the purchase from, sale to or exchange of property with, or the rendering of any service by or for, any Affiliate other than the Company or another Subsidiary), except upon terms no less favorable to the Company or

such Restricted Subsidiary than would be obtained in a transaction with a Person other than an Affiliate; *provided, however,* that the foregoing shall not prohibit (a) the payment of customary and reasonable directors' fees to directors who are not employees of the Company or any Affiliate or (b) any transaction between the Company or a Restricted Subsidiary and another Restricted Subsidiary that the Company reasonably determines in good faith is beneficial to the Company and its Affiliates as a whole that is not entered into for the purpose of hindering the exercise of the rights or remedies of the holders of the Notes.

Section 10.7. Designation of Subsidiaries. Subject to **Section 9.9**, the Company may designate or redesignate any Unrestricted Subsidiary as a Restricted Subsidiary and may designate or redesignate any Restricted Subsidiary as an Unrestricted Subsidiary; *provided* that:

(a) the Company shall have given not less than 10 days' prior written notice to the holders of the Notes that a Senior Financial Officer has made such determination;

(b) at the time of such designation or redesignation and immediately after giving effect thereto, no Default or Event of Default would exist;

(c) in the case of the designation of a Restricted Subsidiary as an Unrestricted Subsidiary and after giving effect thereto, (i) such Unrestricted Subsidiary so designated shall not, directly or indirectly, own any capital stock of the Company or any Restricted Subsidiary and (ii) such designation shall be deemed a sale of assets and shall be permitted by the provisions of **Section 10.5**;

(d) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary and after giving effect thereto: (i) all outstanding Debt of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of **Section 10.2** (other than by virtue of constituting Qualified Subsidiary Debt pursuant to clause (ii) or (iv) of the definition thereof) and (ii) all existing Liens of such Restricted Subsidiary so designated shall be permitted within the applicable limitations of **Section 10.3** (other than **Section 10.3(f)**, notwithstanding that any such Lien existed as of the date of the Initial Closing);

(e) in the case of the designation of a Restricted Subsidiary as an Unrestricted Subsidiary, such Restricted Subsidiary shall not at any time after the date of the Initial Closing have previously been designated as an Unrestricted Subsidiary more than twice; and

(f) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary, such Unrestricted Subsidiary shall not at any time after the date of the Initial Closing have previously been designated as a Restricted Subsidiary more than twice.

SECTION 11. EVENTS OF DEFAULT.

An *"Event of Default"* shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in **Sections 10.1** or **10.2**; or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this **Section 11**) or in any Security Document and such default is not remedied within 30 days after the earlier of (i) a Senior Financial Officer obtaining actual

knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of **Section 11**); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or, by a Subsidiary Guarantor in the Subsidiary Guaranty or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made and the facts underlying such representation or warranty shall not have been changed to make such representation and warranty true and correct within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (e) of **Section 11**); or

(f)(i) the Company or any Significant Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Debt that is outstanding in an aggregate principal amount of at least the greater of (A) $25,000,000 and (B) 2% of Consolidated Total Assets beyond any period of grace provided with respect thereto, or (ii) the Company or any Significant Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Debt in an aggregate outstanding principal amount of at least the greater of (A) $25,000,000 and (B) 2% of Consolidated Total Assets or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Debt has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment without such acceleration having been rescinded or annulled within any applicable grace period; or

(g) the Company or any Significant Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction or has an involuntary proceeding or case filed against it and the same shall continue undismissed for a period of 60 days from commencement of such proceeding or case, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Significant Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Significant Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Significant Restricted Subsidiaries, and such order, petition or other such relief remains in effect and shall not be dismissed or stayed for a period of 60 consecutive days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of the greater of (A) $25,000,000 and (B) 2% of Consolidated Total Assets (excluding for purposes of such determination such amount of any insurance proceeds paid or to be paid by or on behalf of the Company or any of its Significant Restricted Subsidiaries in respect of such judgment or judgments or unconditionally acknowledged in writing to be payable by the insurance carrier that issued the related insurance policy) are rendered against one or more of the Company and its Significant Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the right to appeal has expired; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan, other than a voluntary termination, shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed an amount which would cause a Material Adverse Effect, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Material Adverse Effect; or

(k) for any reason whatsoever any Security Document ceases to be in full force and effect including, without limitation, a determination by any Governmental Authority that any Security Document is invalid, void or unenforceable or the Company or any Subsidiary which is a party to any Security Document shall contest or deny in writing the enforceability of any of its obligations under any Security Document to which it is a party (but excluding any Security Document which ceases to be in full force and effect in accordance with and by reason of the express provisions of **Section 2.2(e)**.

As used in **Section 11(j)**, the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of **Section 11** (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of **Section 11** has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note becoming due and payable under this **Section 12.1**, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a

Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under **Section 12.1**, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein, in any Note or in any Security Document, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of **Section 12.1**, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to **Section 17**, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this **Section 12.3** will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under **Section 15**, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this **Section 12**, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Subject to compliance with applicable law, upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the

Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same Series (and of the same tranche if such Series has separate tranches) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of **Exhibit 1-A**, **Exhibit 1-B**, **Exhibit 1-C** or **Exhibit 1.2**, as the case may be. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $200,000; *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than $200,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representations set forth in **Section 6.1** and **Section 6.2**.

Section 13.3. Replacement of Notes . Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $50,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same Series (and of the same tranche if such Series has separate tranches), dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to **Section 14.2**, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Bank of New York in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in **Section 14.1** or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in **Schedule A** or in a Supplemental Note Purchase Agreement, as the case may be, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to **Section 14.1**. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note

to the Company in exchange for a new Note or Notes of the same Series and tranche pursuant to **Section 13.2**. The Company will afford the benefits of this **Section 14.2** to any Institutional Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this **Section 14.2**.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. (a) Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby (and/or any Supplemental Note Purchase Agreement), by the Notes or by any Security Document or the Intercreditor Agreement. Without limiting the generality of the foregoing, the Company shall pay all fees, charges and disbursement of special counsel referred to in **Section 4.4(b)** incurred in connection with the Closing within ten (10) days after receipt by the Company of such special counsel's invoice therefor. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

(b) Without limiting the foregoing, the Company agrees to pay all fees of the Collateral Agent in connection with the preparation, execution and delivery of the Intercreditor Agreement and the Collateral Documents and the transactions contemplated thereby, including but not limited to reasonable attorneys fees; to pay to the Collateral Agent from time to time reasonable compensation for all services rendered by it under the Intercreditor Agreement and the Collateral Documents; to indemnify the Collateral Agent for, and to hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on its part, arising out of or in connection with the acceptance or administration of the Intercreditor Agreement and Collateral Documents, including, but not limited to, the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties thereunder.

Section 15.2. Survival. The obligations of the Company under this **Section 15** will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement (and/or any Supplemental Note Purchase Agreement), the Notes, any Security Document or the Intercreditor Agreement and the termination of this Agreement (and/or any Supplemental Note Purchase Agreement).

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement (including any Supplemental Note Purchase Agreement) and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any

other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and any Supplemental Note Purchase Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. (a) This Agreement (and/or any Supplemental Note Purchase Agreement) and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of **Section 1, 2.1, 2.3, 3, 4, 5** (subject to permitted amendments or supplements pursuant to Supplemental Note Purchase Agreements in respect to Notes issued thereunder), **6** or **21** hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of **Section 12** relating to acceleration or rescission, change the amount, time or allocation of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of **Section 8, 11(a), 11(b), 12, 17** or **20**. As used herein and in the Notes, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented and, without limiting the generality of the foregoing, shall include all Supplemental Note Purchase Agreements.

(b) The Collateral Documents may be amended in the manner prescribed in the Intercreditor Agreement, and the Subsidiary Guaranty and the Intercreditor Agreement may be amended in the manner prescribed in each such document, and all amendments to the Security Documents and the Intercreditor Agreement obtained in conformity with such requirements shall bind all holders of the Notes.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation*. The Company will provide each holder of the Notes (irrespective of the amount, Series or tranche of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes or of any of the Security Documents or the Intercreditor Agreement. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 17** or of any of the Security Documents or the Intercreditor Agreement to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment*. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise or issue any Guaranty, or grant any security, to any holder of any Series or tranche of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of any Note or any Security Document or the Intercreditor Agreement unless such remuneration is concurrently paid, or Guaranty or security is concurrently granted, on the same terms, ratably to each of the holders of each Series and tranche of the Notes then outstanding even if such holder did not consent to such waiver or amendment.

(c) *Consent in Contemplation of Transfer.* Any consent made pursuant to this **Section 17.2** by the holder of any Note that has transferred or has agreed to transfer such Note to the Company, any Subsidiary or any Affiliate of the Company and has provided or has agreed to provide such written consent as a condition to such transfer

shall be void and of no force or effect except solely as to such holder, and any amendments effected or waivers granted or to be effected or granted that would not have been or would not be so effected or granted but for such consent (and the consents of all other holders of Notes that were acquired under the same or similar conditions) shall be void and of no force or effect except solely as to such transferring holder.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this **Section 17** applies equally to all holders of each Series and tranche of Notes and is binding upon them and upon each future holder of any Note of any Series and tranche and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note of any Series or tranche of Notes nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of each Series and tranche of such Note.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement, the Notes, any Security Document or the Intercreditor Agreement, or have directed the taking of any action provided herein or in the Notes, any Security Document or the Intercreditor Agreement to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A or in a Supplemental Note Purchase Agreement, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Corporate Treasurer, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this **Section 18** will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement (including any Supplemental Note Purchase Agreement and any Security Document) and all documents relating thereto (other than the Memorandum), including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company

agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This **Section 19** shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this **Section 20**, *"Confidential Information"* means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is confidential and/or proprietary in nature and that was clearly marked or labeled or otherwise adequately identified in writing (or verbally in the case of oral communication) when received by you as being confidential information of the Company or such Subsidiary; *provided* that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or any other holder of any Note, (d) constitutes financial statements delivered to you under **Section 7.1** that are otherwise publicly available or (e) relates to the "tax treatment" or "tax structure" of the transactions contemplated by this Agreement, as such terms are defined in Section 1.6011-4 of the Treasury Department regulations issued under the Code, and all materials of any kind that are provided to you relating to such tax treatment or tax structure, except to the extent that disclosure of such information is not permitted under any applicable securities laws, and except with respect to any item that contains information concerning the tax treatment or tax structure of a transaction as well as Confidential Information, this clause (e) shall only apply to that portion of the item relating to tax treatment or tax structure. You will maintain the confidentiality of such Confidential Information in accordance with reasonable procedures adopted by you in good faith to protect confidential information of third parties delivered to you; *provided* that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and Affiliates (which Affiliates have agreed to hold confidential the confidential information) (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this **Section 20**, (iii) any other holder of any Note, (iv) any Institutional Investor to which you sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this **Section 20**), (vi) any federal or state regulatory authority having jurisdiction over you to the extent required or requested, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio to the extent required or requested, or (viii) any other Person to which such delivery or disclosure may be required (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this **Section 20** as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to

this Agreement or its nominee or any other holder that has previously delivered such confirmation), such holder will enter into an agreement with the Company confirming in writing that it is bound by the provisions of this **Section 20**.

SECTION 21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in **Section 6**. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this **Section 21**), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this **Section 21**), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement (including any Supplemental Note Purchase Agreement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Where the character or amount of any asset or liability or item of income or expense is required to be determined or any consolidation or other accounting computation is required to be made by the Company for the purposes of this Agreement, the same shall be done by the Company in accordance with GAAP, to the extent applicable, except where such principles are inconsistent with the requirements of this Agreement.

Notwithstanding the foregoing, if there is a change in GAAP after the date of this Agreement, the result of which is to cause the Company to be in default in respect of any covenant contained in **Section 10**, then such default shall be stayed and no Default or Event of Default shall occur hereunder. The Company shall then, in

consultation with its independent accountants, negotiate in good faith with the holders of Notes for a period of 60 days to make any necessary adjustments to such covenant or any component of financial computations used to calculate such covenant to provide the holders of the Notes with substantially the same protection as such covenant provided prior to the relevant change in GAAP. In the event that no agreement is reached by the end of such 60-day negotiation period, then, at the Company's election, the Company's compliance with such covenant shall be determined on the basis of GAAP in effect immediately prior to such change and each subsequent set of financial statements delivered to holders of Notes pursuant to **Section 7.1(a)** or **(b)** shall include detailed reconciliations reasonably satisfactory to the Required Holders as to the effect of such change in GAAP.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York**,** excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

Section 22.7. Submission to Jurisdiction; Waiver of Jury Trial. (a) The Company hereby irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Agreement and the Notes may be litigated in such courts, and the Company waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and consents that all such service of process be made by delivery to it at the address of such Person set forth in **Section 18** above or to its agent referred to below at such agent's address set forth below (with a courtesy copy to the Company at the address set forth in **Section 18**) and that service so made shall be deemed to be completed upon actual receipt. The Company hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York, 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any holder of Notes to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against the Company or to enforce a judgment obtained in the courts of any other jurisdiction.

(b) The parties hereto waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between them arising out of, connected with, related to or incidental to the relationship established between them in connection with this Agreement and the Notes, any financing agreement, any loan party document or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto. The parties hereto hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any of them may file an original counterpart or a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

STERIS CORPORATION

By /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Vice President & Corporate Treasurer**

Accepted as of August 15, 2008.

AMERICAN UNITED LIFE INSURANCE COMPANY

By /s/ KENT R. ADAMS
Name: **Kent R. Adams**
Title: **Vice President**

LAFAYETTE LIFE INSURANCE COMPANY

By: American United Life Insurance Company, its agent

By: /s/ KENT R. ADAMS
Name: **Kent R. Adams**
Title: **Vice President**

PIONEER MUTUAL LIFE INSURANCE COMPANY

By: American United Life Insurance Company, its agent

By: /s/ KENT R. ADAMS
Name: **Kent R. Adams**
Title: **Vice President**

THE STATE LIFE INSURANCE COMPANY

By: American United Life Insurance Company, its agent

By: /s/ KENT R. ADAMS
Name: **Kent R. Adams**
Title: **Vice President**

ACCEPTED AS OF AUGUST 15, 2008

AXA EQUITABLE LIFE INSURANCE COMPANY

By: /s/ JEFFREY HUGHES
Name: **Jeffrey Hughes**
Title: **Investment Officer**

ACCEPTED AS OF AUGUST 15, 2008

KNIGHTS OF COLUMBUS

By: /s/ DONALD R. KEHOE
Name: **Donald R. Kehoe**
Title: **Supreme Secretary**

ACCEPTED AS OF AUGUST 15, 2008

METROPOLITAN LIFE INSURANCE COMPANY

METLIFE INSURANCE COMPANY OF CONNECTICUT

By: Metropolitan Life Insurance Company, its Investment Manager

NEW ENGLAND LIFE INSURANCE COMPANY

By: Metropolitan Life Insurance Company, its Investment Manager

By: /s/ JUDITH A. GULOTTA
Name: **Judith A. Gulotta**
Title: **Managing Director**

ACCEPTED AS OF AUGUST 15, 2008

MODERN WOODMEN OF AMERICA

By: /s/ NICK S. COIN
Name: **Nick S. Coin**
Title: **Treasurer & Investment Manager**

ACCEPTED AS OF AUGUST 15, 2008

THE NORTHWESTERN MUTUAL LIFE INSURANCE COMPANY

By: /s/ RICHARD A. STRAIT
Name: **Richard A. Strait**
Title: **Its Authorized Representative**

ACCEPTED AS OF AUGUST 15, 2008

PRINCIPAL LIFE INSURANCE COMPANY

By: Principal Global Investors, LLC a Delaware limited liability company, its authorized signatory

By: /s/ COLIN PENNYCOOKE
Name: **Colin Pennycooke**
Title: **Counsel**

By: /s/ JAMES C. FIFIELD
Name: **James C. Fifield**
Title: **Assistant General Counsel**

ACCEPTED AS OF AUGUST 15, 2008

THE PRUDENTIAL INSURANCE COMPANY OF AMERICA

By: /s/ WILLIAM S. ENGELKING
Name: **William S. Engelking**
Title: **Vice President**

PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

By: Prudential Investment Management, Inc., as investment manager

By: /s/ WILLIAM S. ENGELKING
Name: **William S. Engelking**
Title: **Vice President**

PRUCO LIFE INSURANCE COMPANY OF NEW JERSEY

By: /s/ WILLIAM S. ENGELKING
Name: **William S. Engelking**
Title: **Vice President**

ACCEPTED AS OF AUGUST 15, 2008

STATE FARM LIFE INSURANCE COMPANY

By: /s/ JULIE PIERCE
Name: **Julie Pierce**
Title: **Senior Investment Officer**

By: /s/ LISA L. ROGERS
Name: **Lisa L. Rogers**
Title: **Investment Officer**

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"*Acquisition*" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of any Person, or any business or division of any Person, (b) the acquisition in excess of 50% of the stock (or other equity interest) of any Person, or (c) the acquisition of another Person (other than a Company) by a merger or consolidation or any other combination with such Person.

"*Affiliate*" means, at any time, and with respect to any Person, any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person. As used in this definition, "***Control***" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "***Affiliate***" is a reference to an Affiliate of the Company.

"*Agent*" means KeyBank National Association, as Agent under the Bank Credit Agreement.

"*Bank Credit Agreement*" means that certain Second Amended and Restated Credit Agreement effective as of September 13, 2007 among the Company, the Agent and the other parties thereto, as from time to time supplemented, amended, modified, extended, renewed or replaced.

"*Banks*" means the lending institutions party to the Bank Credit Agreement.

"*Business Day*" means (a) for the purposes of **Section 8.6** only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in New York, New York or Cleveland, Ohio are required or authorized to be closed.

"*Capital Lease*" means, at any time, a lease with respect to which the Lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"*Change in Control*" means an event or series of events by which any person or "group" (within the meaning of Sections 13(d) and 14(d)(2) of the Exchange Act) (such person or persons hereinafter referred to as an "*Acquiring Person*") becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of more than 50% of the voting power of the then outstanding Voting Stock of the Company; *provided* that, notwithstanding the foregoing, a "Change in Control" shall not be deemed to have occurred if the Company (or the Acquiring Person if either (x) the Company is no longer in existence or (y) the Acquiring Person has acquired all or substantially all of the assets or stock thereof, and, in either case, such Acquiring Person has assumed the obligations of the Company under the Notes) shall have an Investment Grade Rating immediately following such Acquiring Person becoming the "beneficial owner" or consummating such acquisition.

"*Closing*" is defined in **Section 3**.

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"*Collateral Agent*" is defined in **Section 2.2(b)**.

"*Collateral Documents*" is defined in **Section 2.2(b)**.

"*Company*" is defined in the introductory paragraph to this Agreement and shall include any permitted successor thereto.

"*Confidential Information*" is defined in **Section 20**.

"*Consolidated*" means the resultant consolidation of the financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in **Schedule 5.5** hereof.

"*Consolidated Depreciation and Amortization Charges*" means, for any period, the aggregate of all depreciation and amortization charges for fixed assets, leasehold improvements and general intangibles (specifically including goodwill) of the Company for such period, as determined on a Consolidated basis and in accordance with GAAP.

"*Consolidated EBIT*" means, for any period, on a Consolidated basis, (a) Consolidated Net Earnings for such period *plus* the aggregate amounts deducted in determining such Consolidated Net Earnings in respect of (i) income taxes, (ii) Consolidated Interest Expense and (iii) non-recurring non-cash charges (including non-cash charges associated with the write-off of goodwill in accordance with SFAS 142) and losses, *minus* (b) non-recurring non-cash gains; *provided*, that Consolidated EBIT for any period shall include the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been acquired by the Company or any Subsidiary for any portion of such period prior to the date of such Acquisition and exclude the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been disposed of by the Company or any Subsidiary, for the portion of such period prior to the date of such disposition.

"*Consolidated EBITDA*" means, for any period, (a) Consolidated EBIT, *plus* (b) Consolidated Depreciation and Amortization Charges; *provided* that Consolidated EBITDA for any period shall (i) include the appropriate financial items (other than assumed operating synergies) for any Person or business unit that has been acquired by the Company or any Subsidiary for any portion of such period prior to the date of such Acquisition, and (ii) exclude the appropriate financial (other than assumed operating synergies) items for any Person or business unit that has been disposed of by the Company or any Subsidiary for the portion of such period prior to the date of such disposition.

"*Consolidated Interest Expense*" means, for any period, interest expense of the Company for such period, as determined on a Consolidated basis and in accordance with GAAP.

"*Consolidated Net Earnings*" means, for any period, the net income (loss) of the Company for such period, as determined on a Consolidated basis and in accordance with GAAP.

"*Consolidated Net Worth*" means, at any date, the stockholders' equity of the Company, determined on a Consolidated basis and in accordance with GAAP.

"*Consolidated Total Assets*" means as of the date of any determination thereof, the total amount of assets (less reserves properly deductible), which under GAAP appear on the Consolidated balance sheet of the Company.

"*Consolidated Total Capitalization*" means as of the date of any determination thereof, the sum of (a) Consolidated Total Debt *plus* (b) Consolidated Net Worth.

"*Consolidated Total Debt*" means all Debt of the Company and its Subsidiaries, determined on a Consolidated basis eliminating intercompany items.

"*Control Event*" means the execution by the Company of a definitive written agreement which, when fully performed by the parties thereto, would result in a Change in Control.

"*Creditors*" means the Agent, the Banks, the holders of the Notes and any other Persons who are holders of notes or similar debt securities issued by the Company and who are parties to the Intercreditor Agreement.

"*Debt*" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable and trade payables arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (representing obligations for borrowed money and not to secure the performance of bids, tenders or trade contracts); and

(f) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (e) hereof.

"*Default*" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default that has not been waived by the Required Holders.

"*Default Rate*" means that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes.

"*Eligible Purchasers*" means any Initial Purchaser of the Series A Notes and additional Institutional Investors; *provided* that the aggregate number of Eligible Purchasers shall not at any time exceed a number which, if exceeded, would result in the loss of the exemption in respect of any Series of Notes from the registration requirements of the Securities Act.

"*Environmental Laws*" means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"*ERISA*" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"*ERISA Affiliate*" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under Section 414 of the Code.

"*Event of Default*" is defined in **Section 11**.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*GAAP*" means generally accepted accounting principles as in effect from time to time in the United States of America, which shall include the official interpretations thereof by the Financial Accounting Standards Board applied on a consistent basis with past accounting practices and procedures of the Company.

"*Governmental Authority*" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"*Guaranty*" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such indebtedness or obligation of the ability of any other Person to make payment of the indebtedness or obligation; or

(d) otherwise to assure the owner of such indebtedness or obligation against loss in respect thereof.

In any computation of the indebtedness or other liabilities of the obligor under any Guaranty, the indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

"*holder*" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to **Section 13.1**.

"*Initial Closing*" is defined in **Section 3**.

"*Initial Purchaser*" is defined in **Section 2.1**.

"*Institutional Investor*" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 5% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"*Intercreditor Agreement*" is defined in **Section 2.2(c)**.

"*Investment Grade Rating*" means, at the time of determination, at least one of the following ratings of a Person's senior, unsecured long-term indebtedness for borrowed money which is *pari passu* with the Notes and which does not have the benefit of a guaranty from any Person other than any such Person that at such time also so guarantees the obligations of the Company under this Agreement and the Notes: (i) by Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, or any successor thereof ("*S&P*"), "BBB-" or better, (ii) by Moody's Investors Service, Inc., or any successor thereof ("*Moody's*"), "Baa3" or better, or (iii) by another rating agency of recognized national standing, an equivalent or better rating.

"*Lien*" means, with respect to any Person, any mortgage, lien (statutory or other), pledge or deposit of, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person.

"*Make-Whole Amount*" is defined in **Section 8.6**.

"*Material*" means material in relation to the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole.

"*Material Adverse Effect*" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement, any Supplemental Note Purchase Agreement, the Notes and any Security Document to which it is a party, or (c) the validity or enforceability of this Agreement, any Supplemental Note Purchase Agreement, the Notes or any of the Security Documents.

"*Memorandum*" is defined in **Section 5.3**.

"*Multiemployer Plan*" means any Plan that is a "multiemployer plan" (as such term is defined in Section 4001(a)(3) of ERISA).

"*Notes*" is defined in **Section 1**.

"*Offeree Letter*" means that certain letter dated August 15, 2008 from JPMorgan Securities Inc., setting forth the procedures taken with respect to the offer and sale of the Notes and the Subsidiary Guaranties and any Offeree Letter delivered in connection with a Supplemental Note Purchase Agreement which shall be dated the date on or about the date of any such Supplemental Note Purchase Agreement.

"*Officer's Certificate*" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"*Other Agreements*" is defined in **Section 2.1**.

"*Other Purchasers*" is defined in **Section 2.1**.

"*PBGC*" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"*Person*" means an individual, sole proprietorship, partnership, joint venture, corporation, limited liability company, association, institution, estate, trust, unincorporated organization, or a government or agency or political subdivision thereof or any other entity.

"*Plan*" means an "employee benefit plan" (as defined in Section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"*Priority Debt*" means (a) any Debt of the Company secured by a Lien created or incurred within the limitations of **Section 10.3(i)**, and (b) any Debt of the Company's Restricted Subsidiaries other than Qualified Subsidiary Debt.

"*property*" or "*properties*" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"*QPAM Exemption*" means Prohibited Transaction Class Exemption 84-14 issued by the United States Department of Labor.

"Qualified Subsidiary Debt" means Debt of a Restricted Subsidiary constituting:

(i) Guaranties issued by such Restricted Subsidiary guaranteeing Debt of the Company; *provided* that the beneficiaries of such Guaranty are parties to the Intercreditor Agreement; *provided* further, for clarification, that any Guaranties issued by such Restricted Subsidiary, the beneficiaries of which are not parties to the Intercreditor Agreement, shall be included in Priority Debt;

(ii) Debt of such Restricted Subsidiary outstanding as of the date of the Initial Closing and (1) described on **Schedule 5.15** or (2) with an aggregate outstanding principal amount not in excess of $10,000,000;

(iii) Debt of such Restricted Subsidiary owing to the Company or to any Wholly-Owned Restricted Subsidiary; or

(iv) Debt of such Restricted Subsidiary which becomes a Restricted Subsidiary after the date of the Initial Closing to the extent such Debt existed at the time such Person became a Restricted Subsidiary, *provided* that such Debt was not incurred in contemplation of such Person becoming a Restricted Subsidiary.

"*Required Holders*" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"*Responsible Officer*" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"*Restricted Subsidiary*" means any Subsidiary (a) of which more than 80% (by number of votes) of the Voting Stock is beneficially owned, directly or indirectly, by the Company, and (b) which is designated a "Restricted Subsidiary" on **Schedule 5.4** or pursuant to **Section 10.7**.

"*Securities Act*" means the Securities Act of 1933, as amended from time to time.

"*Security Documents*" is defined in **Section 2.2(b)**.

"*Senior Financial Officer*" means the chief executive officer, chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"*Series*" means any one of, or any combination of, the Series A Notes and any subsequent Notes of any Series.

"*Series A Notes*" is defined in **Section 1.1**.

"*Series A-1 Notes*" is defined in **Section 1.1**.

"*Series A-2 Notes*" is defined in **Section 1.1**.

"*Series A-3 Notes*" is defined in **Section 1.1**.

"*Significant Restricted Subsidiary*" means at any time any Restricted Subsidiary that would at such time constitute a "Significant Subsidiary" (as such term is defined in Regulation S-X of the Securities and Exchange Commission as in effect on the date of the Closing) of the Company.

"*Subsidiary*" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to direct policies, management and affairs of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"*Subsidiary Guarantor*" is defined in **Section 2.2(a)** and shall include any Subsidiary which is required to comply with the requirements of **Section 9.7**.

"*Subsidiary Guaranty*" is defined in **Section 2.2(a)** and shall include any Subsidiary Guaranty delivered pursuant to **Section 9.7**.

"*Supplemental Closing*" is defined in **Section 2.3**.

"*Supplemental Closing Date*" is defined in **Section 2.3**.

"*Supplemental Note Purchase Agreement*" is defined in **Section 2.3**.

"*Supplemental Notes*" is defined in **Section 1.2**.

"*Supplemental Purchaser Schedule*" means the Schedule of Purchasers of any Series of Supplemental Notes which is attached to the Supplemental Note Purchase Agreement relating to such Series.

"*Supplemental Purchasers*" is defined in **Section 2.3**.

"*2003 Noteholders*" means those Persons in whose names the 2003 Notes are registered from time to time in the register maintained by the Company with respect thereto.

"*2003 Note Purchase Agreements*" means those certain Note Purchase Agreements each dated as of December 17, 2003 between the Company and each of the institutions named in Schedule A thereto.

"*2003 Notes*" means those certain Notes issued under and pursuant to the 2003 Note Purchase Agreements.

"*Unrestricted Subsidiary*" means any Subsidiary which is not a Restricted Subsidiary.

"*Voting Stock*" means securities of any class or classes, the holders of which are ordinarily, in the absence of contingencies, entitled to elect a majority of the corporate directors (or Persons performing similar functions).

"Wholly-Owned Restricted Subsidiary" means, at any time, any Restricted Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares and, in the case of any Subsidiary organized under the laws of a jurisdiction other than the United States, any nominal holdings of shares by any employee, officer, director or other third party as required by law) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Restricted Subsidiaries at such time.

[FORM OF SERIES A-1 NOTE]

STERIS CORPORATION

5.63% Senior Notes, Series A-1, due August 15, 2013

No. [ ] [Date]
$[ ] PPN 859152 B*0

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] DOLLARS on August 15, 2013, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 5.63% per annum from the date hereof, payable semiannually, on the fifteenth day of February and August in each year, commencing with the February 15 or August 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 7.63%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 5.63% Senior Notes, Series A-1, due August 15, 2013 (the *"Series A-1 Notes"*) of the Company in the aggregate principal amount of $30,000,000 which, together with the Company's $85,000,000 aggregate principal amount 6.33% Senior Notes, Series A-2, due August 15, 2018 (the *"Series A-2 Notes"*) and $35,000,000 aggregate principal amount 6.43% Senior Notes, Series A-3, due August 15, 2020 (the *"Series A-3 Notes"*; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the *"Series A Notes"*) issued pursuant to separate Note Purchase Agreements, dated as of August 15, 2008 (as from time to time amended or supplemented, the *"Note Purchase Agreements"*), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the *"Supplemental Notes"*, and collectively with the Series A Notes, the "*Notes"*). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreements and (ii) to have made the representation set forth in **Section 6.1(a), Section 6.2** and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), **Section 6.1(b)** of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.

STERIS CORPORATION

By _____
[Title]

[FORM OF SERIES A-2 NOTE]

STERIS CORPORATION

6.33% Senior Notes, Series A-2, due August 15, 2018

No. [ ] [Date]
$[ ] PPN 859152 B@8

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] DOLLARS on August 15, 2018, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.33% per annum from the date hereof, payable semiannually, on the fifteenth day of February and August in each year, commencing with the February 15 or August 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 8.33%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 6.33% Senior Notes, Series A-2, due August 15, 2018 (the *"Series A-2 Notes"*) of the Company in the aggregate principal amount of $85,000,000 which, together with the Company's $30,000,000 aggregate principal amount 5.63% Senior Notes, Series A-1, due August 15, 2013 (the *"Series A-1 Notes"*) and $35,000,000 aggregate principal amount 6.43% Senior Notes, Series A-3, due August 15, 2020 (the *"Series A-3 Notes"*; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the *"Series A Notes"*) issued pursuant to separate Note Purchase Agreements, dated as of August 15, 2008 (as from time to time amended or supplemented, the *"Note Purchase Agreements"*), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the *"Supplemental Notes"*, and collectively with the Series A Notes, the "*Notes"*). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreements and (ii) to have made the representation set forth in **Section 6.1(a)**, **Section 6.2** and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), **Section 6.1(b)** of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.

STERIS CORPORATION

By _____
[Title]

[FORM OF SERIES A-3 NOTE]

STERIS CORPORATION

6.43% Senior Notes, Series A-3, due August 15, 2020

No. [ ] [Date]
$[ ] PPN 859152 B#6

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION (herein called the *"Company"*), a corporation organized and existing under the laws of the State of Ohio, hereby promises to pay to [ ], or registered assigns, the principal sum of [ ] DOLLARS on August 15, 2020, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance thereof at the rate of 6.43% per annum from the date hereof, payable semiannually, on the fifteenth day of February and August in each year, commencing with the February 15 or August 15 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to 8.43%.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of New York in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of the 6.43% Senior Notes, Series A-3, due August 15, 2020 (the *"Series A-3 Notes"*) of the Company in the aggregate principal amount of $35,000,000 which, together with the Company's $30,000,000 aggregate principal amount 5.63% Senior Notes, Series A-1, due August 15, 2013 (the *"Series A-1 Notes"*) and $85,000,000 aggregate principal amount 6.33% Senior Notes, Series A-2, due August 15, 2018 (the *"Series A-2 Notes"*; the Series A-1 Notes, the Series A-2 Notes and the Series A-3 Notes being hereinafter referred to collectively as the *"Series A Notes"*) issued pursuant to separate Note Purchase Agreements, dated as of August 15, 2008 (as from time to time amended or supplemented, the *"Note Purchase Agreements"*), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof together with additional Series of Notes from time to time issued thereunder (the *"Supplemental Notes"*, and collectively with the Series A Notes, the "*Notes"*). Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in **Section 20** of the Note Purchase Agreements and (ii) to have made the representation set forth in **Section 6.1(a)**, **Section 6.2** and, in the case of any Initial Purchaser (as defined in the Note Purchase Agreements), **Section 6.1(b)** of the Note Purchase Agreements and (iii) to have agreed to the covenants and agreements of the holders set forth in the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights and parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State which would require application of the laws of the jurisdiction other than such State.

STERIS CORPORATION

By _____
[Title]

SUBSIDIARY GUARANTY

Dated as of August 15, 2008

Re: $30,000,000 5.63% Senior Notes, Series A-1, due August 15, 2013
$85,000,000 6.33% Senior Notes, Series A-2, due August 15, 2018
$35,000,000 6.43% Senior Notes, Series A-3, due August 15, 2020

of

STERIS Corporation

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(Not a part of the Agreement)

SUBSIDIARY GUARANTY

Re: $30,000,000 5.63% Senior Notes, Series A-1, due August 15, 2013
$85,000,000 6.33% Senior Notes, Series A-2, due August 15, 2018
$35,000,000 6.43% Senior Notes, Series A-3, due August 15, 2020

This SUBSIDIARY GUARANTY dated as of August 15, 2008 (the or this *"Guaranty"*) is entered into on a joint and several basis by each of the undersigned, together with any entity which may become a party hereto by execution and delivery of a Guaranty Supplement in substantially the form set forth as **Exhibit A** hereto (a *"Guaranty Supplement"*) (which parties are hereinafter referred to individually as a *"Guarantor"* and collectively as the *"Guarantors"*).

RECITALS

A. Each Guarantor is a direct or indirect subsidiary of STERIS Corporation, an Ohio corporation (the *"Company"*).

B. In order to refinance certain debt and for general corporate purposes, the Company has entered into those certain Note Purchase Agreements dated as of August 15, 2008 (the *"Note Purchase Agreements"*) between the Company and each of the purchasers named on Schedule A thereto (the *"Initial Note Purchasers"*; the Initial Note Purchasers, together with their successors, assigns or any other future holder of the Notes (as defined below), the *"Holders"*), providing for, *inter alia*, the issue and sale by the Company to the Initial Note Purchasers of $30,000,000 aggregate principal amount of its 5.63% Senior Notes, Series A-1, due August 15, 2013, $85,000,000 aggregate principal amount of its 6.33% Senior Notes, Series A-2, due August 15, 2018 and $35,000,000 aggregate principal amount of its 6.43% Senior Notes, Series A-3, due August 15, 2020.

C. The Initial Note Purchasers have required as a condition to their purchase of the Notes that the Company cause each of the undersigned to enter into this Guaranty and to cause each Subsidiary (as defined in the Note Purchase Agreements) that after the date hereof delivers a guaranty pursuant to the Bank Credit Agreement (as defined in the Note Purchase Agreements) to enter into a Guaranty Supplement, in each case as security for the Notes, and the Company has agreed to cause each of the undersigned to execute this Guaranty and to cause such additional Subsidiaries to execute a Guaranty Supplement, in each case in order to induce the Initial Note Purchasers to purchase the Notes and thereby benefit the Company and its Subsidiaries.

D. Each of the Guarantors will derive substantial direct and indirect benefit from the sale of the Notes to the Initial Note Purchasers.

NOW, THEREFORE, as required by the Note Purchase Agreements and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency whereof are hereby acknowledged, each Guarantor does hereby covenant and agree, jointly and severally, intending to be legally bound as follows:

SECTION 1. DEFINITIONS.

Capitalized terms used herein shall have the meanings set forth in the Note Purchase Agreements unless herein defined or the context shall otherwise require.

SECTION 2. GUARANTY OF NOTES AND NOTE PURCHASE AGREEMENTS.

(a) Subject to the limitation set forth in **Section 2(b)** hereof and to the provisions of **Section 13** hereof, each Guarantor jointly and severally does hereby absolutely and unconditionally guarantee unto the Holders: (1) the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable whether by lapse of time, upon

redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, Make-Whole Amount, if any, or interest at the rate set forth in the Notes and interest accruing at the then applicable rate provided in the Notes after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) in Federal or other immediately available funds of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owed by the Company under the terms of the Notes and the Note Purchase Agreements and (3) the full and prompt payment, upon demand by any Holder, of all reasonable actual out of pocket costs and expenses, legal or otherwise (including attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any rights, privileges or liabilities in favor of the Holders under or in respect of the Notes, the Note Purchase Agreements or under this Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective of the validity, regularity, or enforcement of any of the Notes or Note Purchase Agreements or any of the terms thereof or any other like circumstance or circumstances.

(b) The liability of each Guarantor under this Guaranty shall not exceed an amount equal to a maximum amount as will, after giving effect to such maximum amount and all other liabilities of such Guarantor, contingent or otherwise, result in the obligations of such Guarantor hereunder not constituting a fraudulent transfer, obligation or conveyance.

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guarantee of payment and performance and each Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Purchase Agreements be brought against the Company or any other Person or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Holder may, at its option, proceed hereunder against any Guarantor in the first instance to collect monies when due, the payment of which is guaranteed hereby, without first proceeding against the Company or any other Person and without first resorting to any direct or indirect security for the Notes or for this Guaranty or any other remedy. The liability of each Guarantor hereunder shall in no way be affected or impaired by any acceptance by any Holder of any direct or indirect security for, or other guaranties of, any Debt, liability or obligation of the Company or any other Person to any Holder or by any failure, delay, neglect or omission by any Holder to realize upon or protect any such guarantees, Debt, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Holder.

The covenants and agreements on the part of the Guarantors herein contained shall take effect as joint and several covenants and agreements, and references to the Guarantors shall take effect as references to each of them and none of them shall be released from liability hereunder by reason of the guarantee ceasing to be binding as a continuing security on any other of them.

SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

(a) Each Guarantor hereby consents and agrees that any Holder or Holders from time to time, with or without any further notice to or assent from any other Guarantor may, without in any manner affecting the liability of any Guarantor under this Guaranty, and upon such terms and conditions as any such Holder or Holders may deem advisable:

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any Debt, liability or obligation of the

Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligations of the Company on the Notes, or waive any Default with respect thereto, or waive, modify, amend or change any provision of any other agreement or this Guaranty; or

(2) sell, release, surrender, modify, impair, exchange or substitute any and all property, of any nature and from whomsoever received, held by, or for the benefit of, any such Holder as direct or indirect security for the payment or performance of any Debt, liability or obligation of the Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligation of the Company on the Notes; or

(3) settle, adjust or compromise any claim of the Company against any other Person secondarily or otherwise liable for any Debt, liability or obligation of the Company on the Notes.

Each Guarantor hereby ratifies and confirms any such extension, renewal, change, sale, release, waiver, surrender, exchange, modification, amendment, impairment, substitution, settlement, adjustment or compromise and that the same shall be binding upon it, and hereby waives, to the fullest extent permitted by law, any and all defenses, counterclaims or offsets which it might or could have by reason thereof, it being understood that such Guarantor shall at all times be bound by this Guaranty and remain liable hereunder.

(b) Each Guarantor hereby waives, to the fullest extent permitted by law:

(1) notice of acceptance of this Guaranty by the Holders or of the creation, renewal or accrual of any liability of the Company, present or future, or of the reliance of such Holders upon this Guaranty (it being understood that every Debt, liability and obligation described in **Section 2** hereof shall conclusively be presumed to have been created, contracted or incurred in reliance upon the execution of this Guaranty);

(2) demand of payment by any Holder from the Company or any other Person indebted in any manner on or for any of the Debt, liabilities or obligations hereby guaranteed; and

(3) presentment for the payment by any Holder or any other Person of the Notes or any other instrument, protest thereof and notice of its dishonor to any party thereto and to such Guarantor.

The obligations of each Guarantor under this Guaranty and the rights of any Holder to enforce such obligations by any proceedings, whether by action at law, suit in equity or otherwise, shall not be subject to any reduction, limitation, impairment or termination (other than by payment in full of the Notes and the obligations of the Company under the Note Purchase Agreements), whether by reason of any claim of any character whatsoever or otherwise and shall not be subject to any defense, set-off, counterclaim (other than any compulsory counterclaim), recoupment or termination whatsoever.

(c) Subject to **Section 13** hereof, the obligations of the Guarantors hereunder shall be binding upon the Guarantors and their successors and assigns, and shall remain in full force and effect until the entire principal, interest and Make-Whole Amount, if any, on the Notes and all other sums due pursuant to **Section 2** shall have been paid and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation any of the following, whether or not with notice to or the consent of the Guarantors:

(1) the genuineness, validity, regularity or enforceability of the Notes, the Note Purchase Agreements or any other agreement or any of the terms of any thereof, the continuance of any obligation on the part of the Company, any other Guarantors or any other Person on or in respect of the Notes or under the Note Purchase Agreements or any other agreement or the power or authority or the lack of power or authority of the Company to issue the Notes or the Company to execute and deliver the Note Purchase Agreements or any other agreement or of any other Guarantors to execute and deliver this Guaranty or any other agreement or to perform any of its obligations hereunder or the existence or continuance of the Company or any other Person as a legal entity; or

(2) any default, failure or delay, willful or otherwise, in the performance by the Company, any other Guarantor or any other Person of any obligations of any kind or character whatsoever under the Notes, the Note Purchase Agreements, this Guaranty or any other agreement; or

(3) any creditors' rights, bankruptcy, receivership or other insolvency proceeding of the Company, any other Guarantor or any other Person or in respect of the property of the Company, any other Guarantor or any other Person or any merger, consolidation, reorganization, dissolution, liquidation, the sale of all or substantially all of the assets of or winding up of the Company, any other Guarantor or any other Person; or

(4) impossibility or illegality of performance on the part of the Company, any other Guarantor or any other Person of its obligations under the Notes, the Note Purchase Agreements, this Guaranty or any other agreements; or

(5) in respect of the Company, any other Guarantors or any other Person, any change of circumstances, whether or not foreseen or foreseeable, whether or not imputable to the Company, any other Guarantors or any other Person, or other impossibility of performance through fire, explosion, accident, labor disturbance, floods, droughts, embargoes, wars (whether or not declared), civil commotion, acts of God or the public enemy, delays or failure of suppliers or carriers, inability to obtain materials, action of any Federal or state regulatory body or agency, change of law or any other causes affecting performance, or any other *force majeure*, whether or not beyond the control of the Company, any other Guarantors or any other Person and whether or not of the kind hereinbefore specified; or

(6) any attachment, claim, demand, charge, Lien, order, process, encumbrance or any other happening or event or reason, similar or dissimilar to the foregoing, or any withholding or diminution at the source, by reason of any taxes, assessments, expenses, Debt, obligations or liabilities of any character, foreseen or unforeseen, and whether or not valid, incurred by or against the Company, any Guarantor or any other Person or any claims, demands, charges or Liens of any nature, foreseen or unforeseen, incurred by the Company, any Guarantor or any other Person, or against any sums payable in respect of the Notes or under the Note Purchase Agreements or this Guaranty, so that such sums would be rendered inadequate or would be unavailable to make the payments herein provided; or

(7) any order, judgment, decree, ruling or regulation (whether or not valid) of any court of any nation or of any political subdivision thereof or any body, agency, department, official or administrative or regulatory agency of any thereof or any other action, happening, event or reason whatsoever which shall delay, interfere with, hinder or prevent, or in any way adversely affect, the performance by the Company, any Guarantor or any other Person of its respective obligations under or in respect of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement; or

(8) the failure of any Guarantor to receive any benefit from or as a result of its execution, delivery and performance of this Guaranty; or

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to any Guarantor of failure of the Company, any Guarantor or any other Person to keep and perform any obligation, covenant or agreement under the terms of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or failure to resort for payment to the Company, any other Guarantor or to any other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

(10) the acceptance of any additional security or other guaranty, the advance of additional money to the Company or any other Person, the renewal or extension of the Notes or amendments, modifications, consents or waivers with respect to the Notes, the Note Purchase Agreements or any other agreement, or the sale, release, substitution or exchange of any security for the Notes; or

(11) any merger or consolidation of the Company, any other Guarantor or any other Person into or with any other Person or any sale, lease, transfer or other disposition of any of the assets of the Company, any other Guarantor or any other Person to any other Person, or any change in the ownership of any shares of the Company, any other Guarantor or any other Person; or

(12) any defense whatsoever that: (i) the Company or any other Person might have to the payment of the Notes (principal, Make-Whole Amount, if any, or interest), other than payment thereof in Federal or other immediately available funds, or (ii) the Company or any other Person might have to the performance

or observance of any of the provisions of the Notes, the Note Purchase Agreements or any other agreement, whether through the satisfaction or purported satisfaction by the Company, any other Guarantor or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise, other than the defense of indefeasible payment in full in cash of the Notes; or

(13) any act or failure to act with regard to the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or anything which might vary the risk of any Guarantor or any other Person; or

(14) any other circumstance which might otherwise constitute a defense available to, or a discharge of, any Guarantor or any other Person in respect of the obligations of any Guarantor or other Person under this Guaranty or any other agreement, other than the defense of indefeasible payment in full in cash of the Notes;

provided that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty and the parties hereto that the obligations of each Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except pursuant to **Section 13** hereof and by the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase Agreements, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Purchase Agreements, as each may be amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Company shall default under or in respect of the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

(d) All rights of any Holder may be transferred or assigned at any time and shall be considered to be transferred or assigned at any time or from time to time upon the transfer of such Note in accordance with the Note Purchase Agreements whether with or without the consent of or notice to the Guarantors under this Guaranty or to the Company.

(e) To the extent of any payments made under this Guaranty, the Guarantors shall be subrogated to the rights of the Holder or Holders upon whose Notes such payment was made, but each Guarantor covenants and agrees that such right of subrogation shall be junior and subordinate in right of payment to the prior indefeasible final payment in cash in full of all amounts due and owing by the Company with respect to the Notes and the Note Purchase Agreements and by the Guarantors under this Guaranty, and the Guarantors shall not take any action to enforce such right of subrogation, and the Guarantors shall not accept any payment in respect of such right of subrogation, until all amounts due and owing by the Company under or in respect of the Notes and the Note Purchase Agreements and all amounts due and owing by the Guarantors hereunder have indefeasibly been finally paid in cash in full. If any amount shall be paid to any Guarantor in violation of the preceding sentence at any time prior to the indefeasible payment in cash in full (or other satisfaction agreed to by the Holders) of the Notes and all other amounts payable under the Notes, the Note Purchase Agreements and this Guaranty, such amount shall be held in trust for the benefit of the Holders and shall, except to the extent the Holders have received payment, promptly be paid to the Holders to be credited and applied to the amounts due or to become due with respect to the Notes and all other amounts payable under the Note Purchase Agreements and this Guaranty, whether matured or unmatured. Each Guarantor acknowledges that it has received direct and indirect benefits from the financing arrangements contemplated by the Note Purchase Agreements and that the waiver set forth in this **paragraph (e)** is knowingly made as a result of the receipt of such benefits.

(f) To the extent of any payments made under this Guaranty, each Guarantor making such payment shall have a right of contribution from the other Guarantors, but such Guarantor covenants and agrees that such right of contribution shall be subordinate in right of payment to the rights of the Holders for which full payment has

not been made or provided for and, to that end, such Guarantor agrees not to claim or enforce any such right of contribution unless and until all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully and irrevocably paid and discharged.

(g) Each Guarantor agrees that to the extent the Company, any other Guarantor or any other Person makes any payment on any Note, which payment or any part thereof is subsequently invalidated, voided, declared to be fraudulent or preferential, set aside, recovered, rescinded, or otherwise defeased or is required to be retained by or repaid to a trustee, receiver, or any other Person under any bankruptcy code, common law, or equitable cause, then and to the extent of such payment, the obligation or the part thereof intended to be satisfied shall be revived and continued in full force and effect with respect to the Guarantors' obligations hereunder, as if said payment had not been made. The liability of the Guarantors hereunder shall not be reduced or discharged, in whole or in part, by any payment to any Holder from any source that is thereafter paid, returned or refunded in whole or in part by reason of the assertion of a claim of any kind relating thereto, including, but not limited to, any claim for breach of contract, breach of warranty, preference, illegality, invalidity, or fraud asserted by any account debtor or by any other Person.

(h) No Holder shall be under any obligation: (1) to marshal any assets in favor of the Guarantors or in payment of any or all of the liabilities of the Company under or in respect of the Notes or the obligations of the Guarantors hereunder or (2) to pursue any other remedy that the Guarantors may or may not be able to pursue themselves and that may lighten the Guarantors' burden, any right to which each Guarantor hereby expressly waives.

(i) The obligations of each Guarantor under this Guaranty rank *pari passu* in right of payment with all other Debt of such Guarantor which is not secured or which is not expressly subordinated in right of payment to any other unsecured Debt of such Guarantor.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.

Each Guarantor represents and warrants to each Holder that:

(a) Such Guarantor is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on (1) the business, operations, affairs, financial condition, assets or properties of the Company and its subsidiaries, taken as a whole, or (2) the ability of such Guarantor to perform its obligations under this Guaranty, or (3) the validity or enforceability of this Guaranty. Such Guarantor has the power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Guaranty and to perform the provisions hereof.

(b) This Guaranty has been duly authorized by all necessary action on the part of such Guarantor, and upon execution and delivery of this Guaranty and of the Note Purchase Agreements and receipt of consideration for the Note Purchase Agreements and the Notes, this Guaranty will constitute a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance by such Guarantor of this Guaranty will not (1) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, purchase or credit agreement,

lease, charter document or by-law, or any other material agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, (2) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor or (3) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the such Guarantor.

(d) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Guarantor is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty.

(e) Such Guarantor has capital not unreasonably small in relation to its business or any contemplated or undertaken transaction and has assets having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts as they become due and greater than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured. Such Guarantor does not intend to incur, or believe or should have believed that it will incur, debts beyond its ability to pay such debts as they become due. Such Guarantor will not be rendered insolvent by the execution and delivery of, and performance of its obligations under, this Guaranty. Such Guarantor does not intend to hinder, delay or defraud its creditors by or through the execution and delivery of, or performance of its obligations under, this Guaranty.

SECTION 6. GUARANTOR COVENANTS.

From and after the date of issuance of the Notes by the Company and continuing so long as any amount remains unpaid thereon each Guarantor agrees to comply with the terms and provisions of Sections 9.1, 9.2, 9.3, 9.4 and 9.5 of the Note Purchase Agreements, insofar as such provisions apply to such Guarantor, as if said Sections were set forth herein in full.

SECTION 7. [RESERVED]

SECTION 8. GOVERNING LAW.

(a) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE THEREIN.

(b) Each Guarantor hereby (1) irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Guaranty may be litigated in such courts, and (2) waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and (3) consents that all such service of process be made by delivery to it at the address of such Person set forth in **Section 11** below or to its agent referred to below at such agent's address set forth below (with a courtesy copy to such Guarantor at the address set forth in **Section 11**) and that service so made shall be deemed to be completed upon actual receipt. Each Guarantor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any Holder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against a Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

(c) The parties hereto waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between them arising out of, connected with, related to or incidental to the relationship established between them in connection with this Guaranty, any financing agreement, any loan party

document or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto. The parties hereto hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any of them may file an original counterpart or a copy of this Guaranty with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

SECTION 9. [RESERVED]

SECTION 10. AMENDMENTS, WAIVERS AND CONSENTS.

(a) This Guaranty may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each Guarantor and the Required Holders.

(b) The Guarantors will provide each Holder (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof. The Guarantors will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 10** to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders.

(c) The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of fee or otherwise, or grant any security, to any Holder as consideration for or as an inducement to the entering into by any Holder of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Holder even if such Holder did not consent to such waiver or amendment.

(d) Any amendment or waiver consented to as provided in this **Section 10** applies equally to all Holders and is binding upon them and upon each future holder and upon the Guarantors. No such amendment or waiver will extend to or affect any obligation, covenant or agreement not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Guarantors and any Holder nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of any Holder. As used herein, the term “this Guaranty” and references thereto shall mean this Guaranty as it may from time to time be amended or supplemented.

(e) Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Guaranty, Notes directly or indirectly owned by any Guarantor, the Company or any of their respective subsidiaries or Affiliates shall be deemed not to be outstanding.

SECTION 11. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(1) if to an Initial Note Purchaser or such Initial Note Purchaser’s nominee, to such Initial Note Purchaser or such Initial Note Purchaser’s nominee at the address specified for such communications in Schedule A to the Note Purchase Agreements, or at such other address as such Initial Note Purchaser or such Initial Note Purchaser’s nominee shall have specified to any Guarantor or the Company in writing,

(2) if to any other Holder, to such Holder at such address as such Holder shall have specified to any Guarantor or the Company in writing, or

(3) if to any Guarantor, to such Guarantor c/o the Company at its address set forth at the beginning of the Note Purchase Agreements to the attention of Corporate Treasurer, or at such other address as such Guarantor shall have specified to the Holders in writing.

Notices under this **Section 11** will be deemed given only when actually received.

SECTION 12. MISCELLANEOUS.

(a) No remedy herein conferred upon or reserved to any Holder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Holder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Holder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) The Guarantors will pay all sums becoming due under this Guaranty by the method and at the address specified in the Note Purchase Agreements, or by such other method or at such other address as any Holder shall have from time to time specified to the Guarantors in writing for such purpose, without the presentation or surrender of this Guaranty or any Note.

(c) Any provision of this Guaranty that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

(d) If the whole or any part of this Guaranty shall be now or hereafter become unenforceable against any one or more of the Guarantors for any reason whatsoever or if it is not executed by any one or more of the Guarantors, this Guaranty shall nevertheless be and remain fully binding upon and enforceable against each other Guarantor as if it had been made and delivered only by such other Guarantors.

(e) This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of each Holder and its successors and assigns so long as its Notes remain outstanding and unpaid.

(f) This Guaranty may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

SECTION 13. RELEASE.

Notwithstanding anything that may be contained herein to the contrary, the Holders agree that, in accordance with Section 2.2(e) of the Note Purchase Agreements, this Guaranty shall be automatically released and discharged without the necessity of further action on the part of the Holders if, and to the extent, the corresponding guaranty given pursuant to the terms of the Bank Credit Agreement is released and discharged; *provided* that in the event the Guarantor shall again become obligated under or with respect to the previously discharged Guaranty pursuant to the terms and provisions of the Guaranty, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to

the Company credit facilities which are *pari passu* with the Notes, then the obligations of such Guarantor under this Guaranty shall be reinstated and any release thereof previously given shall be deemed null and void, and such Guaranty shall again benefit the Holders on an equal and *pro rata* basis and such Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the Holders shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. The Company shall promptly notify the Holders of any release of a Subsidiary Guaranty pursuant to this **Section 13** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

[Intentionally Blank]

IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed by an authorized representative as of this 15th day of August, 2008.

AMERICAN STERILIZER COMPANY
STERIS EUROPE, INC.
STERIS INC. HTD HOLDING CORP.
HSTD LLC
HAUSTED, INC.
ISOMEDIX INC.
ISOMEDIX OPERATIONS INC.
STERILTEK, INC.
STERILTEK HOLDINGS, INC.
STERIS ISOMEDIX SERVICES, INC.

By: /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Vice President & Treasurer**

STRATEGIC TECHNOLOGY ENTERPRISES, INC.

By: /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Treasurer**

ACCEPTED AND AGREED:

STERIS CORPORATION

By: /s/ WILLIAM L. AAMOTH
Name: **William L. Aamoth**
Title: **Vice President & Corporate Treasurer**

GUARANTY SUPPLEMENT

To the Holders of the Series A-1 Notes, Series
A-2 Notes and Series A-3 Notes (as hereinafter defined)
of STERIS Corporation (the *"Company"*)

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company issued (a) $30,000,000 aggregate principal amount of its 5.63% Senior Notes, Series A-1, due August 15, 2013 (the *"Series A-1 Notes"*), (b) $85,000,000 aggregate principal amount of its 6.33% Senior Notes, Series A-2, due August 15, 2018 (the *"Series A-2 Notes"*) and (c) $35,000,000 aggregate prinicpal amount of its 6.43% Senior Notes, Series A-3, due August 15, 2020 (the *"Series A-3 Notes"*; the Series A-1 Notes, Series A-2 Notes and the Series A-3 Notes shall be collectively referred to herein to the *"Notes"*) pursuant to those certain Note Purchase Agreements dated as of August 15, 2008 (the *"Note Purchase Agreements"*) between the Company and each of the purchasers named on Schedule A thereto (the *"Initial Note Purchasers"*).

WHEREAS, as a condition precedent to their purchase of the Notes, the Initial Note Purchasers required that certain subsidiaries of the Company enter into a Subsidiary Guaranty as security for the Notes (the *"Guaranty"*).

Pursuant to Section 9.7 of the Note Purchase Agreements, the Company has agreed to cause the undersigned, , a organized under the laws of (the *"Additional Guarantor"*), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after the date hereof, the Additional Guarantor shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreements and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected of the Additional Guarantor, a subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

In the event the Additional Guarantor is organized under the laws of any jurisdiction other than any state of the United States or the District of Columbia, the following **paragraphs (a)** and (**b)** shall be deemed incorporated in the Guaranty as if such paragraphs were set forth therein in full:

(a) Each payment by a Guarantor shall be made, under all circumstances, without setoff, counterclaim or reduction for, and free from and clear of, and without deduction for or because of, any and all present or future taxes, levies, imposts, duties, fees, charges, deductions, withholding, restrictions or conditions of any nature whatsoever (hereinafter called *"Relevant Taxes"*) imposed, levied, collected, assessed, deducted or withheld by the government of any country or jurisdiction (or any authority therein or thereof) other than the United States of America from or through which payments hereunder or on or in respect of the Notes are actually made (each a *"Taxing Jurisdiction"*), unless such imposition, levy, collection, assessment, deduction, withholding or other restriction or condition is required by law. If a Guarantor is required by law to make any payment under the Guaranty subject to such deduction, withholding or other restriction or condition, then such Guarantor shall forthwith (i) pay over to the government or taxing authority imposing such tax the full amount required to be deducted, withheld from or otherwise paid by such Guarantor (including the full amount required to be deducted or withheld from or otherwise paid by such Guarantor in respect of the Tax Indemnity Amounts (as defined below)); (ii) pay each Holder such additional amounts (*"Tax Indemnity Amounts"*) as may be necessary in order that the net amount of every payment made to each Holder, after provision for payment of such Relevant Taxes (including any required deduction,

withholding or other payment of tax on or with respect to such Tax Indemnity Amounts), shall be equal to the amount which such holder would have received had there been no imposition, levy, collection, assessment, deduction, withholding or other restriction or condition. Notwithstanding the foregoing provisions of this **paragraph (a)**, no such Tax Indemnity Amounts shall be payable for or on account of any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure of the Holder to complete, execute, update and deliver to such Guarantor any form or document to the extent applicable to such Holder that may be required by law or by reason of administration of such law and which is reasonably requested in writing to be delivered by such Guarantor in order to enable such Guarantor to make payments pursuant to this **paragraph (a)** without deduction or withholding for taxes, assessments or governmental charges, or with deduction or withholding of such lesser amount, which form or document shall be delivered within one hundred twenty days of a written request therefor by such Guarantor. If in connection with the payment of any such Tax Indemnity Amounts, any Holder that is a United States person within the meaning of the Code or a foreign person engaged in a trade or business within the United States of America, incurs taxes imposed by the United States of America or any political subdivision or taxing authority therein (*"United States Taxes"*) on such Tax Indemnity Amounts, such Guarantor shall pay to such Holder such further amount as will insure that the net expenditure of the Holder for United States Taxes due to receipt of such Tax Indemnity Amounts (after taking into account any withholding, deduction, tax credit or tax benefit in respect of such further amount or any Tax Indemnity Amount) is no greater than it would have been had no Tax Indemnity Amounts been paid to the Holder.

(b) Any payment made by such Guarantor to any Holder for the account of any such holder in respect of any amount payable by such Guarantor shall be made in the lawful currency of the United States of America (*"U.S. Dollars"*). Any amount received or recovered by such holder other than in U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of any court, or in the liquidation or dissolution of such Guarantor or otherwise) in respect of any such sum expressed to be due hereunder or under the Notes shall constitute a discharge of such Guarantor only to the extent of the amount of U.S. Dollars which such Holder is able, in accordance with normal banking procedures, to purchase with the amount so received or recovered in that other currency on the date of the receipt or recovery (or, if it is not practicable to make that purchase on such date, on the first date on which it is practicable to do so). If the amount of U.S. Dollars so purchased is less than the amount of U.S. Dollars expressed to be due hereunder or under the Notes, such Guarantor agrees as a separate and independent obligation from the other obligations herein, notwithstanding any such judgment, to indemnify the Holder against the loss. If the amount of U.S. Dollars so purchased exceeds the amount of U.S. Dollars expressed to be due hereunder or under the Notes, then such Holder agrees to remit such excess to such Guarantor.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to this Guaranty Supplement, but nevertheless all such references shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

Dated: , .

[NAME OF ADDITIONAL GUARANTOR]

By: _____
Its

ACCEPTED AND AGREED:

STERIS CORPORATION

By: _____
Name: _____
Title: _____

Exhibit 15.1

LETTER REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders
STERIS Corporation

We are aware of the incorporation by reference in the following Registration Statements and related Prospectuses of our report dated November 7, 2008 relating to the unaudited consolidated interim financial statements of STERIS Corporation and subsidiaries that are included in its Form 10-Q for the quarter ended September 30, 2008:

Registration Number	Description
333-137167	Form S-8 Registration Statement – STERIS Corporation Deferred Compensation Plan
333-136239	Form S-8 Registration Statement – STERIS Corporation 2006 Long-Term Equity Incentive Plan
333-65155	Form S-8 Registration Statement – STERIS Corporation 1998 Long-Term Incentive Compensation Plan
333-32005	Form S-8 Registration Statement – STERIS Corporation 1997 Stock Option Plan
333-06529	Form S-3 Registration Statement – STERIS Corporation
333-01610	Post-effective Amendment to Form S-4 on Form S-8 Registration Statement — STERIS Corporation
33-91444	Form S-8 Registration Statement – STERIS Corporation 1994 Equity Compensation Plan
33-91442	Form S-8 Registration Statement – STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan
33-55976	Form S-8 Registration Statement – STERIS Corporation 401(k) Plan
333-09733	Form S-8 Registration Statement – STERIS Corporation 401(k) Plan
333-101308	Form S-8 Registration Statement – STERIS Corporation 2002 Stock Option Plan
333-91302	Form S-8 Registration Statement – Nonqualified Stock Option Agreement between STERIS Corporation and Mark D. McGinley

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
November 7, 2008

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Walter M Rosebrough, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ WALTER M ROSEBROUGH, JR.

Walter M Rosebrough, Jr.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Michael J. Tokich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ MICHAEL J. TOKICH

Michael J. Tokich
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification Pursuant to 18 U.S.C. § 1350 as Adopted
Pursuant to § 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS Corporation (the "Company") for the quarter ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ WALTER M ROSEBROUGH, JR.
Name: **Walter M Rosebrough, Jr.**
Title: **President and Chief Executive Officer**

/s/ MICHAEL J. TOKICH
Name: **Michael J. Tokich**
Title: **Senior Vice President and Chief Financial Officer**

Dated: November 10, 2008