
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended March 31, 2002

Commission file number 0-20165

STERIS CORPORATION

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

5960 Heisley Road
Mentor, Ohio 44060-1834
(Address of principal
executive offices)

34-1482024
(IRS Employer
Identification No.)

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of Exchange on Which Registered</u>
Common Shares, without par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, computed by reference to the closing price of such stock as of May 31, 2002: \$1,468,626,940

The number of Common Shares outstanding as of May 31, 2002: 69,724,904

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2002 Annual Meeting—Part III

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PART I**Item 1. Business***Description of Business*

STERIS Corporation, an Ohio corporation organized in 1987 (the "Company" or "STERIS"), develops, manufactures, and markets infection prevention, contamination prevention, microbial reduction, and medical, surgical and therapy support systems, products, services, and technologies for healthcare, scientific, research, and industrial customers throughout the world. STERIS is focused on helping customers address today's trends in the healthcare and scientific industries. The healthcare industry is changing rapidly due to the growth of minimally invasive surgical and diagnostic procedures; heightened public and professional awareness and concern for the increasing number of transmittable and antibiotic-resistant infectious diseases; the shifting of patient care from acute care hospital settings to alternate sites; and the overall need to reduce the cost of healthcare delivery. These trends have expanded the demand for rapid, safe, and efficient infection prevention systems for critical tasks such as the sterile processing of devices and the handling, decontamination, destruction, and disposal of potentially infectious biohazardous waste. The scientific industry is also expanding, as pharmaceutical, biotech, medical device, and other manufacturers are under increasing pressure to adhere to stricter guidelines for the validation and control of their antimicrobial processes, as well as the trend towards global standardization of protocols.

As of March 31, 2002, the Company had 4,496 employees worldwide, with approximately 1,700 involved in direct sales, service, and field support. Customer support and training facilities are located in major global market centers, and production and manufacturing operations are found in the United States, Australia, Canada, Germany, Finland, and Sweden.

The Company operates in a single business segment. See the accompanying consolidated financial statements beginning on page 27 of this Form 10-K for financial information regarding the Company.

Principal Products and Services

Through a consistent strategic plan, a focused research and development effort, and several business acquisitions, STERIS has established positions in low temperature sterilization, high temperature sterilization, washing and decontamination systems, surgical tables, surgical lights, and related consumables and service. The Company has expanded from its original narrow product line to become a multi-faceted global organization that serves healthcare, scientific, research, and industrial customers. Revenues by principal customer group are as follows (in thousands):

	Years Ended March 31,		
	2002	2001	2000
Healthcare	\$ 607,638	\$ 566,567	\$ 557,686
Scientific and Industrial	259,059	233,520	202,940
Total Net Revenues	\$ 866,697	\$ 800,087	\$ 760,626

Healthcare. Healthcare systems, products, and services are used by customers to significantly reduce or eliminate microbial contamination of surfaces with which human contact might occur. The Company provides complete infection prevention material processing systems and specialty chemical products, including those used for cleaning, decontaminating, disinfecting, sterilizing, drying, and aerating medical and surgical instruments, devices, and hard surfaces. Specialty chemical products are generally employed in material processing systems or used for high risk and routine skin care, hard surface disinfection, and surgical preparation. STERIS systems support cost containment, productivity increases, and risk reduction in a wide variety of healthcare settings through process standardization, automatic monitoring and documentation, processing site flexibility, and reduction in processing time.

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STERIS's technology is used to rapidly destroy microorganisms on surfaces, with a focus on sterile processing, biohazardous waste processing, and other surface safety applications in the healthcare industry. The technology also has applications in a wide variety of other settings where cleanliness and destruction of microorganisms is important.

STERIS has been recognized for years as a leading provider of large and medium scale, high quality hardware systems and related service, in the areas of infection prevention and surgical support. One of the Company's well known products is the STERIS SYSTEM 1® Low Temperature Liquid Sterile Processing System, used for just-in-time sterile processing at or near the site of patient care. SYSTEM 1 sterile processors enable healthcare professionals to economically sterilize immersible surgical and diagnostic devices between patient procedures in less than thirty minutes. The use of SYSTEM 1 sterile processors also eliminates time-consuming transportation to and from central processing sites. Customers are able to use delicate, expensive, heat-sensitive devices and instrument sets many times per day without compromising sterilization standards.

The Company's thermal sterilization systems use saturated steam to sterilize items through a combination of heat, moisture, and pressure. Thermal sterilizers are offered in a number of sizes based on customer throughput requirements, and are designed for use in centralized and decentralized processing environments. The product line includes a versatile microprocessor-based control system designed to monitor each phase of the sterilization cycle and provide the customer a permanent record of important cycle information, including type and parameters of sterilization cycle, temperature, pressure, vacuum, and total cycle time. The Company's sterilizer chambers are made of highly durable nickel-clad carbon steel or 316L stainless steel.

In addition to thermal sterilization systems, the Company manufactures low temperature ethylene oxide (EO) gas sterilizers, which provide customers the ability to sterilize heat sensitive medical devices in a controlled processing environment. Each sterilization system includes an advanced microprocessor-based control system, which monitors cycle parameters and provides the customer a permanent record of each sterilization cycle. The Company's most popular EO gas sterilization system, the Amsco® Eagle® 3017 100% EO Sterilizer, utilizes a proprietary, single-use sterilant cartridge and includes a built-in exhaust system.

A variety of Amsco® Reliance® automated washer/disinfector systems are also manufactured by STERIS for Healthcare customers. These systems clean, thermally disinfect, and dry everything from rolling instrument carts and other large healthcare equipment to the smallest surgical instruments. The latest system in the line is the compact Reliance 333 Washer/Disinfector, which is the ideal solution for smaller outpatient surgery centers and same-day surgery centers that are more prevalent today.

STERIS develops, manufactures, and distributes infection prevention consumables and supplies that are used to prevent the spread of infectious diseases and to monitor sterilization and decontamination processes. STERIS consumable products offer quality choices for infection and contamination prevention, including products used in instrument cleaning and decontamination systems, high risk and routine skin care products, hard surface disinfectants, and surgical scrubs. STERIS quality assurance products to monitor sterilization processes include over 300 sterility assurance and sterility maintenance products for the worldwide healthcare market, including biological monitoring systems, barrier wraps, integrator/indicator monitoring systems, and record-keeping systems.

The Company's Healthcare product line also includes general and specialty surgical tables, surgical and examination lights, operating room storage cabinets, fluid waste management systems, warming cabinets, scrub sinks, and other complementary products and accessories for hospitals and other healthcare facilities. The Company's versatile surgical table product line includes powered and manual general surgical tables, as well as specialty tables for orthopedics and image guided surgical procedures. A wide variety of general and specialty surgical procedures are accommodated through the use of attachable accessories, which increase the versatility of the tables. The Company produces and sells a line of accessories and also sells accessories manufactured by outside sources.

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The Company's illumination and space management systems are designed for a wide variety of locations where diagnostic and therapeutic procedures are performed, including the emergency room, general surgery suite, OB/GYN suite, ICU/CCU suite, and ambulatory surgery suite. The lighting products combine optical performance with positioning flexibility that accommodate the surface and cavity illumination needs of virtually all types of surgical procedures. The Company's SurgiVision® Surgical Lighting and Video System combines high quality illumination with a technically advanced video system to provide innovative and cost-effective systems for both acute care and non-acute care customers. The Company's products range from major surgical lights to small examination lights, and include the Orbiter® line of ceiling management products for hospital operating room, emergency and critical care, and ambulatory surgery markets.

STERIS is providing sterilization management and outsourcing services for healthcare facilities and is developing comprehensive solutions to meet the instrument reprocessing needs of hospitals and healthcare facilities, to capitalize on the current hospital trend of outsourcing non-revenue generating operations such as central sterile processing.

Scientific and Industrial. Scientific & Industrial offerings include contamination prevention and control systems, products, and services for pharmaceutical, biotechnology, medical device, critical research, laboratory research, and industrial customers throughout the world. These products and services assist customers in following the stringent sterility assurance and microbial reduction processes demanded by the United States Food and Drug Administration ("FDA"), as well as worldwide regulatory and compliance agencies.

The Scientific offering is a complete range of systems and products with several of the most trusted brand names in the scientific industry: Finn-Aqua® and Amsco sterilizers, Reliance® and Basil® washers, Detach™ automated cage and bedding processing systems, VHP® (Vaporized Hydrogen Peroxide) biodecontamination systems, Finn-Aqua high-purity water systems, and Lyovac® freeze dryers, research and pharmaceutical washing systems, as well as an extensive line of consumable products for contamination prevention, surface cleaning, and sterility assurance.

STERIS also provides contract sterilization and microbial reduction services to manufacturers of pre-packaged healthcare and consumer products. As a result of acquisitions—beginning with STERIS's 1998 purchase of Isomedix Inc., a North American provider of contract sterilization and microbial reduction services—and internal expansion, STERIS now has a network of 16 contract sterilization facilities that utilize ethylene oxide, electron beam, and other processing technologies. STERIS's contract sterilization subsidiaries work closely with customers to provide high-quality processing and optimum logistical support to minimize the time it takes to move a product from the factory to its final destination.

STERIS field service personnel are available worldwide to install, maintain, upgrade, and troubleshoot equipment. Additionally, STERIS offers services such as facility planning, engineering support, device testing, process and cleaner evaluation, education, and preventative maintenance and repair services.

In both the Healthcare and Scientific & Industrial Customer Groups, the products and services of STERIS and its subsidiaries are sold under a variety of brand and product names. As acquired businesses have been integrated and consolidated, the STERIS name is increasingly visible on the product and service offerings.

Manufacturing

The Company, as of March 31, 2002, manufactures, assembles, and packages products in Erie, Pennsylvania; Mentor, Ohio; Montgomery, Alabama; Wadsworth, Ohio; St. Louis, Missouri; Cologne, Germany; Helsinki, Finland; Quebec City, Canada; Stockholm, Sweden; and Sydney, Australia. Each of the production facilities focuses on particular processes and products. The majority of the Company's equipment manufacturing facilities throughout the world are ISO 9001 certified. These facilities supply products to both Healthcare and Scientific and Industrial customers.

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Raw materials, sub-assemblies, and other components essential to the Company's business are readily available within the lead times specified to vendors. The supply of such raw materials has posed no significant problem in the operation of the Company's business. For core product lines, all major raw materials are available from multiple sources, both domestic and foreign.

International Operations

The Company's international operations are subject to various risks that are more likely to affect those operations than the Company's domestic operations. These include, among other things, exchange controls and currency restrictions, currency fluctuations, changes in local economic conditions, unsettled political conditions, and foreign government-sponsored boycotts of the Company's products or services for noncommercial reasons. Most of the identifiable assets associated with the Company's international operations are located in countries where the Company believes such risks to be minimal. For certain financial information regarding the Company's international operations, see Note 11—Business Segment Information to the accompanying consolidated financial statements on page 46 of this Form 10-K.

Customers and Methods of Distribution

As of March 31, 2002, STERIS employs over 1,000 direct field sales and service representatives in North America. The representatives reside in metropolitan market areas throughout the United States and Canada. Sales and service activities are supported by a staff of regionally based clinical specialists, systems planners, corporate account managers, and in-house customer service and field support departments.

The Company has adopted a strategy focused on employing direct sales, service, and support personnel in developed international markets while contracting with distributors in other selected markets. STERIS currently has sales offices in Belgium, Canada, Costa Rica, Finland, France, Germany, Italy, Japan, Korea, Puerto Rico, Singapore, Spain, Sweden, and the United States. STERIS has distribution agreements with medical supply distributors in Australia, and various countries in North and South America, Asia, and Europe.

Customer training is an important aspect of the STERIS business. In addition to training at customer locations, STERIS provides a variety of courses for customers at the Company's training and education centers and over the internet. The programs enable customer representatives to understand the science, technology, and operation of STERIS products. Many of the Operator Training Programs are approved by professional certifying organizations for continuing education credits to eligible course participants.

The Company believes that one of its strengths is its broad customer base with no single customer accounting for more than one and one half percent of revenue during the fiscal year ended March 31, 2002. Customers who are part of a buying group generally make independent purchasing decisions and are invoiced directly by the Company.

Competition

A number of methodologies and commercial products are available for general sterilization purposes. Getinge/Castle, Advanced Sterilization Products (Johnson & Johnson), and 3M Corporation are well-known companies offering products for general sterilization and disinfection. Skytron (division of KMW Group, Inc.) and Getinge/Castle are competitors in providing general surgical tables. Berchtold Corporation, Getinge/Castle, Heraeus Surgical, Inc., Hill-Rom, and Skytron are competitors in major surgery operating room light products. Competitors in sterility assurance products include Kimberly-Clark Corporation and 3M Health Care. Competitors in environmental and instrument decontamination products include Getinge/Castle, Ecolab Inc., and Allegiance. The Company's high risk and routine skin care products compete against the products of Ecolab, Inc., Provon (Gojo), and SaniFresh (Kimberly-Clark). Allegiance, Becton Dickinson, Ecolab, Inc. and Purdue Frederick are competitors in providing surgical scrubs. Competitors in the original equipment manufacturing service business include local and in-hospital service groups. In contract sterilization, the Company primarily

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competes with Griffith Micro Science and SteriGenics International, Inc. (business units of Ion Beam Applications), and companies that sterilize products in-house. The primary competitor for the Company's Scientific and Industrial sterilization systems is Getinge/Castle.

In 1998, the FDA established 501(k) submission exemptions for many Class I devices, including certain surgical support products, which lessened the regulatory requirements for the introduction of these products. The lower regulatory barriers could accelerate new product introductions for the Company and its domestic competitors, as well as improve the ability of foreign competitors to introduce products into the United States market and, as a result, increase competition.

Competition for the products provided by the Company is based upon product design and quality, product innovation, price, and product serviceability that result in the greatest overall value to the customer. In addition, there is significant price competition among various instrument preparation processes and services provided by STERIS and its competitors.

STERIS anticipates that it may face increased competition in the future as new infection prevention, sterile processing, contamination control, and surgical support products and services enter the market. Several smaller, early-stage companies are likely to be working with a variety of technologies and sterilizing agents, including microwave, ozone, plasma, chlorine dioxide, peracids, and formaldehyde. In addition, a number of companies have developed disposable medical instruments and other devices designed to address the risk of contamination. There can be no assurance that new products or services developed by the Company's competitors will not be more commercially successful than those currently being developed by STERIS or that may be developed by STERIS in the future. In addition, some of STERIS's existing or potential competitors may have greater financial, technical, and human resources than the Company. Accordingly, the Company's competitors may succeed in developing and commercializing products more rapidly than the Company.

Government Regulation

Many of the Company's products and manufacturing processes are subject to regulation by the FDA, the United States Environmental Protection Agency ("EPA"), the United States Nuclear Regulatory Commission, and other governmental authorities. Similar regulatory agencies exist in other countries with a wide variety of regulatory review processes and procedures. Many products offered for sale in Europe must meet the CE marking requirements, and must be manufactured in accordance with the Medical Devices Directive, ISO 9001, and EN 46001 Quality System Standards. The Company's products are also subject to review or certification by various nongovernmental certification authorities, such as Underwriter's Laboratories, Canadian Standards Association, British Standards Institute, and TUV (Germany). Compliance with the regulations and certification requirements of domestic and foreign government regulatory and certification authorities may delay or prevent product introductions, require additional studies or tests prior to product introduction, require product modifications or recalls, or mandate cessation of production and marketing of existing products. The cost of compliance with applicable regulations represents a considerable expense, and significant changes in such regulations or their interpretation could have a material adverse impact on the Company.

In the United States, the FDA regulates the introduction, manufacturing, labeling, and record keeping requirements for medical devices and drugs. The FDA regulates the majority of products manufactured by the Company, through marketing clearance, pre-market approvals, new drug approvals, or compliance with established monographs. The process of obtaining marketing clearance from the FDA for new products, new applications for existing products, and changes to existing products can be time-consuming and expensive. In addition, whether separate marketing clearance is required under applicable regulations for any particular product is often a matter of interpretation and judgment. There is no assurance that marketing clearances will be granted, that the FDA will agree or continue to agree with all judgments made from time to time by the Company with respect to whether or not marketing clearance is required for any particular new or existing product, or that review by the FDA will not involve delays that will adversely affect the Company's ability to commercialize

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additional products or applications for existing products. Similar approvals by comparable agencies are required in most countries. Foreign regulatory requirements may vary widely from country to country. The time required to obtain market clearance from a foreign country may be longer or shorter than that required by the FDA or other agencies, and clearance or approval or other product requirements may differ.

Even if regulatory clearances to market a product are obtained from the FDA or comparable foreign agencies, these clearances may entail limitations on the indicated uses of the product. Product clearances granted by the FDA or comparable foreign agencies can also be withdrawn due to failure to comply with regulatory standards or the occurrence of unforeseen problems following initial approval. Regulatory requirements could also limit or prevent the manufacture or distribution of the Company's products and require the recall of such products. These applicable regulations depend heavily on administrative interpretation, and there can be no assurance that future interpretations made by the FDA or other regulatory bodies, with possible retroactive effect, will not adversely affect the Company. Further, additional government regulation may be established that could prevent, delay, revoke, or result in the rejection of regulatory clearance of the Company's products. The effect of government regulation that may arise from future legislation or administrative action cannot be predicted.

The FDA, various state agencies, and foreign regulatory agencies also have the right to inspect the Company's facilities from time to time to determine, among other things, whether the Company is in compliance with various regulations relating to the Quality System Regulation ("QSR"). In complying with the QSR, manufacturers must continue to expend time, money, and effort in the areas of production and quality control to ensure full regulatory compliance.

Failure to comply with any applicable regulatory requirements could result in sanctions being imposed on the Company, including warning letters, injunctions, civil money penalties, failure of the FDA or comparable foreign agencies to grant pre-market clearance or pre-market approval of medical devices, product recalls, operating restrictions, and, in extreme cases, criminal sanctions.

In addition, the Company is subject to regulation under state, federal, and foreign law regarding occupational safety, environmental protection, and hazardous and toxic substance control, and to other present (and possible future) local, state, federal, and foreign regulation.

The Company believes that it is currently in conformity in all material respects with applicable regulatory requirements. The Company has received licenses and permits it believes necessary to conduct its current manufacturing and contract sterilization businesses and believes that it will be able to obtain any permits necessary for the future conduct of its manufacturing and contract sterilization businesses. The Company is committed to maintaining compliance with applicable FDA, EPA, and other governmental laws and regulations and the standards promulgated by nongovernmental certification authorities.

Employees

As of March 31, 2002, the Company had 4,496 employees. Management considers its relations with employees, including employees covered under collective bargaining agreements, to be good.

Intellectual Property and Research and Development

The Company protects its technology and products by, among other means, filing United States and foreign patent applications that it considers important to its business. There can be no assurance, however, that any patent will provide adequate protection for the technology, system, product, service, or process it covers. In addition, the process of obtaining and protecting patents can be long and expensive. The Company also relies upon trade secrets, technical know-how, and continuing technological innovation to develop and maintain its competitive position.

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Research activities are important to the Company's business. The costs of the Company's research activities relating to the discovery and development of new products and the improvement of existing products amounted to \$21.7 million, \$24.0 million, and \$24.2 million in fiscal years 2002, 2001, and 2000, respectively. These costs are charged directly to income in the year in which incurred.

As of March 31, 2002, the Company held 203 United States patents and 305 foreign patents (with expiration dates ranging from 2002 to 2020) and had 61 United States patents and 125 foreign patents pending.

The Company also considers its various trademarks to be valuable in the marketing of its products. The Company has a total of 715 trademark registrations in the United States and in various foreign countries in which the Company does business.

Seasonality

The Company's financial results have been subject to recurring seasonal fluctuations. A number of factors have contributed to the seasonal patterns, including sales promotion and compensation programs, customer buying patterns of capital equipment, and international business practices. Sales and profitability of certain of the Company's acquired and consolidated product lines have historically been disproportionately weighted toward the latter part of each quarter and generally weighted toward the latter part of each fiscal year.

Backlog

As of March 31, 2002, the Company maintained backlog orders in the amount of \$104.3 million. As of March 31, 2001, the Company maintained backlog orders in the amount of \$90.8 million. The majority of orders in both years were expected to ship in the subsequent fiscal year.

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Item 2. Properties

The following table sets forth the principal plants and other materially important properties of the Company and its subsidiaries as of March 31, 2002. The Company believes that its facilities are adequate for operations and are maintained in good condition. The Company is confident that, if needed, it will be able to acquire additional facilities at commercially reasonable rates.

USA

Mentor, OH (6 locations)	Corporate Headquarters/Manufacturing/Warehousing	Owned
Erie, PA (2 locations)	Manufacturing	Owned(1), Leased(1)
Montgomery, AL	Manufacturing	Owned
Wadsworth, OH	Manufacturing	Leased
St. Louis, MO (2 locations)	Manufacturing/Warehousing	Owned(1), Leased(1)
Reno, NV	Warehousing	Leased
Alei, HI	Warehousing	Leased
Morton Grove, IL	Contract Sterilization	Leased
Libertyville, IL (2 locations)	Contract Sterilization	Owned
Spartanburg, SC	Contract Sterilization	Owned
Groveport, OH	Contract Sterilization	Owned
Northborough, MA	Contract Sterilization	Owned
Chester, NY	Contract Sterilization	Owned
Ontario, CA	Contract Sterilization	Owned
Coon Rapids, MN	Contract Sterilization	Leased
El Paso, TX	Contract Sterilization	Owned
Sandy, UT	Contract Sterilization	Owned
Whippany, NJ	Contract Sterilization	Owned
Temecula, CA	Contract Sterilization	Owned
Nogales, AZ	Contract Sterilization	Owned
Vega Alta, PR	Contract Sterilization/Sales Office	Owned
Aliso Viejo, CA	Sales Office	Leased
Miami, FL	Sales Office	Leased

Foreign Countries

Basingstoke, England	European Headquarters	Leased
Quebec City, Canada (2 locations)	Manufacturing	Owned
Sydney, Australia	Manufacturing	Leased
Helsinki, Finland	Manufacturing/Sales Office	Owned
Cologne, Germany	Manufacturing/Sales Office	Leased
Stockholm, Sweden	Manufacturing/Sales Office	Leased
Mississauga, Canada	Warehousing/Sales Office	Leased
Whitby, Canada	Contract Sterilization	Owned
Asti, Italy	Sales Office	Leased
Milan, Italy	Sales Office	Leased
Madrid, Spain	Sales Office	Leased
Paris, France	Sales Office	Leased
Kobe, Japan	Sales Office	Leased
Seoul, S. Korea	Sales Office	Leased
Singapore	Sales Office	Leased
Brussels, Belgium	Sales Office	Leased
San Jose, Costa Rica	Sales Office	Leased

Item 3. Legal Proceedings

Reference is made to Note 10—Commitments and Contingencies in the accompanying consolidated financial statements on page 45 of this Form 10-K.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the Company's 2002 fiscal year.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Les C. Vinney	53	President and Chief Executive Officer
Laurie Brlas	44	Senior Vice President and Chief Financial Officer
Peter A. Burke	53	Senior Vice President and Chief Technology Officer
Charles L. Immel	40	Senior Vice President, Sales and Marketing and President, Commercial Products
Gerard J. Reis	50	Senior Vice President, Corporate Administration
David L. Crandall	55	Vice President, Manufacturing and Distribution
Mark D. McGinley	45	Vice President, General Counsel, and Secretary
William L. Aamoth	48	Corporate Treasurer
Michael J. Tokich	33	Corporate Controller

The following is a brief account of the business experience during the past five years of each such executive officer:

Les C. Vinney serves as President and Chief Executive Officer. Mr. Vinney joined STERIS in August 1999 as Senior Vice President and Chief Financial Officer, became Senior Vice President of Finance and Operations in October 1999, became President and Chief Operating Officer in March 2000, and became President and Chief Executive Officer in July 2000. Immediately before his employment with STERIS, Mr. Vinney served as Senior Vice President and Chief Financial Officer at The BF Goodrich Company, a manufacturer of advanced aerospace systems, performance materials, and engineered industrial products. During his eight year career with BF Goodrich, Mr. Vinney held a variety of senior operating and financial management positions, including Vice President and Treasurer, President and CEO of the former Tremco subsidiary, and Senior Vice President, Finance and Administration of BF Goodrich Specialty Chemicals.

Laurie Brlas serves as Senior Vice President and Chief Financial Officer. She joined the Company in April 2000. Prior to joining STERIS, Ms. Brlas was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from September 1995 through April 2000, serving most recently as Senior Vice President and Corporate Controller.

Peter A. Burke serves as Senior Vice President and Chief Technology Officer. Dr. Burke joined the Company in March 2001 as Vice President and Chief Technology Officer and he became Senior Vice President in March 2002. Prior to joining STERIS, Dr. Burke was employed by Carter-Wallace, Inc., a manufacturer and distributor of consumer and pharmaceutical products, from January 1996 to March 2001, serving most recently as Vice President, Research and Development.

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Charles L. Immel serves as Senior Vice President, Sales and Marketing and President, Commercial Products. He joined the Company in May 2001. Prior to joining STERIS, Mr. Immel was employed by Baxter Healthcare Corporation, a medical products and services company specializing in critical care applications, from July 1983 to May 2001, serving most recently as Vice President and General Manager of Baxter's Therapeutic Commercial Business.

Gerard J. Reis serves as Senior Vice President, Corporate Administration. He joined the Company in July 1994 as Vice President, Administration. He became Senior Vice President in October 1999.

David L. Crandall serves as Vice President, Manufacturing and Distribution. He joined the Company in April 2000. Prior to joining the Company, Mr. Crandall was employed by United Technologies Group, a manufacturer of high technology products for the aerospace and building systems industries, from December 1968 to April 2000, serving most recently as Director of Manufacturing, North American Operations.

Mark D. McGinley serves as Vice President, General Counsel, and Secretary. He joined the Company in March 2002. Prior to joining STERIS, Mr. McGinley was employed by Noveon, Inc., an international specialty chemicals manufacturer. Mr. McGinley also served as Associate General Counsel of The Glidden Company, a coatings and chemicals manufacturer, and was employed by The BF Goodrich Company, an aircraft components and specialty chemicals manufacturer, from 1990 to 2000 in various legal capacities, including General Counsel of BF Goodrich Sealants, Coatings and Adhesives Group.

William L. Aamoth serves as Corporate Treasurer. He joined the Company in March 2001. Prior to joining the Company, Mr. Aamoth was employed by Hayes Lemmerz International, a manufacturer of wheels, brakes, and related systems, from January 2000 through January 2001, serving as Treasurer. From May 1992 to December 1999, Mr. Aamoth was employed by TRW, Inc., a manufacturer and service provider of automotive, aerospace, and information technology products, serving most recently as Assistant Treasurer, International.

Michael J. Tokich serves as Corporate Controller. He joined the Company in May 2000 as Assistant Corporate Controller. He became Corporate Controller in December 2000. Prior to joining the Company, Mr. Tokich was employed by OfficeMax, Inc., a retailer of goods and services to business customers and consumers, from July 1994 to May 2000, serving most recently as Divisional Vice President, Assistant Controller.

PART II**Item 5. Market for Registrant's Common Equity and Related Shareholder Matters***Market Information and Dividends*

The Company's Common Shares are traded on the New York Stock Exchange under the symbol "STE." The following table sets forth, for the periods indicated, the high and low sales prices for the Company's Common Shares.

	Quarters Ended			
	March 31	December 31	September 30	June 30
Fiscal 2002				
High	\$ 21.42	\$ 24.91	\$ 22.75	\$ 20.34
Low	16.35	16.62	15.20	12.14
Fiscal 2001				
High	\$ 19.25	\$ 17.19	\$ 12.50	\$ 12.06
Low	11.60	11.81	7.94	7.94

The Company has not paid any cash dividends on its Common Shares since its inception and does not anticipate paying any such dividends in the foreseeable future. The Company currently intends to retain all of its earnings for the operation and expansion of its businesses. At May 29, 2002, there were approximately 1,832 shareholders of record of the Company's Common Shares.

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	Years Ended March 31,				
	2002(1)	2001(1)(2)(4)	2000(1)(3)(4)	1999(4)	1998(4)
(in thousands, except per share data)					
Statements of Income Data:					
Net revenues	\$ 866,697	\$ 800,087	\$ 760,626	\$ 797,611	\$ 719,656
Gross profit	355,201	311,458	298,825	368,591	324,558
Income from operations	80,613	24,174	29,706	136,379	112,614
Net income	\$ 46,202	\$ 1,317	\$ 10,485	\$ 84,854	\$ 65,496
Net income per Common Share—basic	\$ 0.67	\$ 0.02	\$ 0.16	\$ 1.24	\$ 0.96
Shares used in computing net income per share—basic	69,163	67,946	67,489	68,200	67,898
Net income per Common Share—diluted	\$ 0.65	\$ 0.02	\$ 0.15	\$ 1.20	\$ 0.93
Shares used in computing net income per share-diluted	70,607	68,981	68,567	70,592	70,224
Balance Sheet Data:					
Working capital	\$ 146,534	\$ 180,286	\$ 228,200	\$ 232,300	\$ 171,697
Total assets	841,572	844,980	903,574	865,996	728,069
Long-term indebtedness	115,228	205,825	268,700	221,500	152,879
Total liabilities	354,427	420,596	482,480	430,059	369,117
Total shareholders' equity	487,145	424,384	421,094	435,937	358,952

- (1) See "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (2) Earnings for fiscal 2001 include a non-recurring charge of \$41,476, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statement of operations.
- (3) Earnings for fiscal 2000 include a non-recurring charge of \$39,722, primarily related to plans for manufacturing consolidations, productivity improvements, and associated workforce reductions. Of the \$39,722 charge, \$24,808 was charged to cost of products sold and \$14,914 was charged to selling, general, and administrative expenses in the consolidated statement of operations.
- (4) Certain reclassifications have been made to conform to the fiscal 2002 presentation.

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Net revenues for fiscal 2002 from capital goods were \$350.5 million, or 40.4% of consolidated revenues, as compared to \$330.8, or 41.3%, in fiscal 2001. Revenues from capital goods increased \$19.7 million, or 6.0% for fiscal 2002 as compared to fiscal 2001. Fiscal 2002 revenues from consumables and services contributed \$516.2 million, or 59.6% of total revenues, for fiscal 2002 compared to \$469.3 million, or 58.7% of total revenues, in the prior year. Revenues from consumables and services increased \$46.9 million, or 10.0%, for fiscal 2002 as compared to fiscal 2001 due to the increase in the installed base of capital equipment as well as a newly acquired long-term contract to service infection prevention and decontamination equipment for a division of a Fortune 500 Company.

United States revenues for fiscal 2002 were \$733.6 million, or 84.6% of total revenues, with \$133.1 million, or 15.4%, from international markets. United States revenues for fiscal 2001 were \$675.3 million, or 84.4% of total revenues, with \$124.8 million, or 15.6%, from international markets.

A non-recurring pre-tax charge of \$41.5 million (\$28.2 million net of tax, or \$.41 per diluted share) was recorded in the fiscal 2001 fourth quarter after the Company completed a review of certain manufacturing and support functions. The charge to cost of products sold included \$10.9 million for inventory write-downs and disposals, and also included \$10.6 million principally for the consolidation of certain of the Company's manufacturing operations. Costs to consolidate the operations primarily included severance and property abandonment. In addition, certain costs (primarily distribution costs) incurred in fiscal 2001 were reclassified from operating expenses to cost of products sold to improve accountability of expenses company-wide and to conform to the fiscal 2002 presentation.

Excluding the non-recurring charge incurred during fiscal 2001, the fiscal 2002 cost of products sold increased by 9.5% to \$511.5 million compared to \$467.1 million in fiscal 2001. The cost of products sold as a percentage of revenues was 59.0% in fiscal 2002 compared to 58.4% in fiscal 2001, excluding the charge. The corresponding gross margin percentages were 41.0% and 41.6% for fiscal 2002 and 2001, respectively. Gross margins were negatively impacted by inefficiencies related to the Company's capacity expansion efforts and continuing plant consolidation costs associated with selected product lines. Continuing plant consolidation costs consist primarily of moving costs for inventory and machinery and equipment that will be utilized, as well as continuing employee relocation and retraining costs. Most plant consolidation efforts were completed by March 2002. The increase in revenues from lower gross margin scientific and industrial capital equipment products was also a contributor to the decrease in the gross margin percentage. During fiscal 2002, the Company relieved \$1.0 million from the restructuring reserves related to the fiscal 2001 fourth quarter charge because actual costs associated with the finalization of the Medina, Ohio facility closing were less than anticipated. This benefit was offset by a comparable charge to write off inventory related to a product line that was replaced by a newly acquired surgical table line.

Operating Expenses

	Fiscal 2002	Fiscal 2001	Decrease	
			Dollars	Percentage
			(in thousands, except percentages)	
Selling, general, and administrative	\$ 252,882	\$ 263,309	\$ (10,427)	-4%
Research and development	21,706	23,975	(2,269)	-9%
Total	\$ 274,588	\$ 287,284	\$ (12,696)	-4%

Selling, general, and administrative expenses as a percent of revenues, excluding the fiscal 2001 charge, were 29.2% and 30.4% in fiscal 2002 and 2001, respectively, as management continued its focus on controlling costs while supporting revenue growth.

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The following comparisons and discussion exclude the \$20.0 million of selling, general, and administrative expenses included in the fiscal 2001 non-recurring charge. Selling, general, and administrative expenses increased in fiscal 2002 by 3.9% to \$252.9 million from \$243.3 million in fiscal 2001. Selling, general, and administrative expenses decreased as a result of lower depreciation expense of \$1.2 million driven by the absence of depreciation related to assets charged-off as part of the fiscal 2001 charge. Additionally, compensation savings of approximately \$6.4 million resulted from the reductions in force reflected in the fiscal 2001 charge. Marketing and administrative expenses decreased by \$1.1 million. These decreases in selling, general, and administrative expenses were offset by increased incentive compensation due to overall Company profitability and cost of living and merit wage increases aggregating \$9.9 million, asset write-offs of \$1.9 million related to equity investments, notes receivable and other receivables, and increases in professional fees, occupancy, insurance, and franchise and property tax costs of \$3.9 million. Also during fiscal 2002, additional severance costs of \$2.6 million were recorded.

Research and development expenses decreased in both gross dollars and as a percentage of revenues in fiscal 2002 as compared to fiscal 2001. Research and development expenses as a percentage of revenues were 2.5% in fiscal 2002 compared to 3.0% in fiscal 2001. The decrease is primarily attributable to the increased capitalization of engineering costs of \$1.7 million for products that have passed the development stage as described in Statement of Financial Accounting Standards No. 2, "Accounting for Research and Development Costs." Additionally, the Company has reduced the number of projects it is focused on, which reduced expenditures in fiscal 2002. Direct project expenses and outside fees related to development projects decreased \$1.2 million. These decreases in costs were partially offset by increased depreciation and occupancy costs of \$0.7 million as the Company re-affirmed its commitment to development efforts with expanded research facilities and equipment.

Interest Expense

Interest expense, net, decreased by 60.3% to \$7.3 million in fiscal 2002 from \$18.4 million in fiscal 2001. The decrease was due principally to the effects of lower interest rates and the reduction in the amount of debt outstanding. The weighted average interest rate applicable to the Company's outstanding debt was 2.97% as of March 31, 2002 compared to 7.74% as of March 31, 2001. Additionally, the Company paid down its long-term debt by approximately \$92.2 million during fiscal 2002.

Income Taxes

Income tax expense was 37.0% of pretax earnings in fiscal 2002. In fiscal 2001, excluding the impact of the fourth quarter charge, the comparable income tax rate was 37.5%. The reported effective tax rate for fiscal 2001 was 77.1%. The comparable effective tax rates for both fiscal years are different from the U.S. federal statutory income tax rate primarily because of state and local income taxes, goodwill amortization, and a favorable change in the method in which research and development credits are calculated.

Fiscal Year 2001 Compared to Fiscal Year 2000

Net revenues increased 5.2% to \$800.1 million in fiscal 2001 from \$760.6 million in fiscal 2000. Healthcare Group revenues increased 1.6% to \$566.6 million in fiscal 2001 from \$557.7 million in fiscal 2000. Scientific and Industrial Group revenues increased 15.1% to \$233.5 million in fiscal 2001 from \$202.9 million in fiscal 2000. United States revenues for fiscal 2001 were \$675.3 million, or 84.4% of total revenues, with \$124.8 million, or 15.6%, from international markets. United States revenues for fiscal 2000 were \$633.3 million, or 83.3% of total revenues, with \$127.3 million, or 16.7%, from international markets. Revenues from consumables and services contributed \$469.3 million, or 58.7% of total revenues, for fiscal 2001 compared to \$443.5 million, or 58.3%, in the prior year. The moderate increase in overall revenue was a result of significant growth in scientific and pharmaceutical projects and increases in consumable and service sales, offset by weakness in the healthcare market due principally to softness in United States hospital spending for capital equipment.

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As discussed above, a non-recurring charge of \$41.5 million (\$28.2 million net of tax, or \$0.41 per diluted share) was recorded in the fiscal 2001 fourth quarter after the Company completed a review of certain manufacturing and support functions. Additionally, certain costs (primarily distribution costs) incurred in fiscal 2001 were reclassified from operating expenses to cost of products sold to improve accountability of expenses company-wide and to conform to the fiscal 2002 presentation.

The cost of products sold increased by 5.8% to \$488.6 million in fiscal 2001 from \$461.8 million in fiscal 2000, including the effect of the fourth quarter charge in fiscal 2001 and the similar charge in the fourth quarter of fiscal 2000 (for information regarding the fiscal 2000 charge—see Note 9 to the consolidated financial statements). Excluding the charge in both years, the cost of products sold increased by 6.9% to \$467.1 million compared to \$437.0 million in fiscal 2000. The cost of products sold as a percentage of revenues was 58.4% in fiscal 2001 compared to 57.5% in fiscal 2000, excluding the fourth quarter charges in both years. The corresponding gross margin rate was 41.6% and 42.5% for fiscal 2001 and 2000, respectively. The increase in sales from Scientific and Industrial capital equipment products in fiscal 2001 was the primary reason for the decrease in margin rate, as those products generate an overall lower gross margin percentage.

Selling, general, and administrative expenses increased in fiscal 2001 by 7.5% to \$263.3 million from \$245.0 million in fiscal 2000, including the effect of the fourth quarter charge in both years. The increase in these expenses including the charge in both years was primarily attributable to more costs associated with the charge in fiscal 2001 versus fiscal 2000. Excluding the charges, selling, general, and administrative expenses increased in fiscal 2001 by 5.8% to \$243.3 million compared to \$230.0 million in fiscal 2000. Selling, general, and administrative expenses, before the charge in both years, were 30.4% and 30.2% as a percent of revenue in fiscal 2001 and 2000, respectively.

Research and development expenses decreased by 0.8% to \$24.0 million in fiscal 2001 from \$24.2 million in fiscal 2000. Research and development expenses as a percentage of revenues were 3.0% in fiscal 2001 compared to 3.2% in fiscal 2000.

Interest expense, net, increased by 43.8% to \$18.4 million in fiscal 2001 from \$12.8 million in fiscal 2000. The increase was due principally to the effects of higher interest rates in fiscal 2001. Additionally, interest income on a settlement amount was recorded in fiscal 2000 that partially offset interest expense in fiscal 2000. No comparable amount of interest income was recorded in fiscal 2001.

Excluding the effects of the fourth quarter charge, income tax expense was 37.5% of pretax earnings in fiscal 2001. In fiscal 2000, the comparable income tax rate was 38.0%. The reduction in the tax rate resulted from further strengthening the Company's global tax strategies and active tax management programs. The actual effective tax rate for fiscal 2001, including the fourth quarter charge, was 77.1%. The overall tax rate was impacted as the tax benefit of the charge was reduced by the write-off of goodwill.

Net income for fiscal 2001 decreased by 87.6% to \$1.3 million or \$0.02 per diluted share from \$10.5 million or \$0.15 per diluted share in fiscal 2000, including the effect of the fourth quarter charge in both years. Excluding the fourth quarter charge in both years, fiscal 2001 net income decreased by 16.0% to \$29.5 million or \$0.43 per diluted share compared to \$35.1 million or \$0.51 per diluted share in fiscal 2000.

Cash Flows

	Fiscal 2002	Fiscal 2001	Increase (Decrease)	
			Dollars	Percentage
(in thousands, except percentages)				
Operating activities:				
Net income	\$ 46,202	\$ 1,317	\$ 44,885	3408%
Non-cash items	65,848	63,348	2,500	4%
Changes in operating assets and liabilities	29,973	37,674	(7,701)	-20%
Net cash provided by operating activities	\$ 142,023	\$ 102,339	\$ 39,684	39%
Investing activities:				
Purchases of property, plant, equipment, and patents	\$ (65,678)	\$ (51,017)	\$ (14,661)	29%
Other	(2,933)	90	(3,023)	N.A.
Net cash used in investing activities	\$ (68,611)	\$ (50,927)	\$ (17,684)	35%
Financing activities:				
Payments on long-term obligations and line of credit, net	\$ (92,173)	\$ (64,947)	\$ (27,226)	42%
Stock option and other equity transactions, net	6,736	3,368	3,368	100%
Net cash used in financing activities	\$ (85,437)	\$ (61,579)	\$ (23,858)	39%

The significant increase in operating cash flows for fiscal 2002 as compared with fiscal 2001 was primarily due to increased net income of \$44.9 million, the deferred income tax impact of \$11.2 million, and an increase in accounts payable, accruals, and other items of \$23.3 million. These increases were partially offset by the absence of a \$10.2 million goodwill and intangible charge that occurred in fiscal 2001, as well as a decrease in the cash flow impact of inventories of \$28.2 million and other net decreases of \$1.3 million.

The increase in cash flows used in investing activities resulted from a \$14.7 million increase in purchases of property, plant, equipment, and patents. This increase was primarily driven by increased capital expenditures related to the Company's ongoing capacity expansions. Cash used in investing activities also included \$5.1 million used for an acquisition. These increased uses were partially offset in fiscal 2002 by cash proceeds from the sale of fixed assets for cash of \$2.2 million.

Net cash used for financing activities was \$85.4 million for the year ended March 31, 2002. Fiscal 2002 financing activities included the repayment of \$91.0 million to reduce the outstanding balance on the unsecured \$325.0 million Revolving Credit Facility (the "Facility") and prior credit facility and repayments of \$1.2 million of other debt. This use of cash was partially offset by increased proceeds from the exercise of Company stock options.

Working Capital

	Fiscal 2002	Fiscal 2001	(Decrease) Increase	
			Dollars	Percentage
			(in thousands, except percentages)	
Cash and cash equivalents	\$ 12,424	\$ 24,710	\$ (12,286)	-50%
Accounts receivable, net	196,631	201,305	(4,674)	-2%
Inventories	77,922	82,239	(4,317)	-5%
Deferred income taxes	20,011	24,025	(4,014)	-17%
Prepaid expense and other assets	9,656	7,920	1,736	22%
Total current assets	\$ 316,644	\$ 340,199	\$ (23,555)	-7%
Current portion of long-term indebtedness	\$ 1,663	\$ 1,263	(400)	-32%
Accounts payable	56,734	48,494	(8,240)	-17%
Accrued expenses and other	111,713	110,156	(1,557)	-1%
Total current liabilities	\$ 170,110	\$ 159,913	\$ (10,197)	-6%
Working capital	\$ 146,534	\$ 180,286	\$ (33,752)	-19%
Current ratio	1.9	2.1		
Debt-to-total capital ratio	19.1%	32.7%		

During fiscal 2002, the Company made substantial progress in decreasing its investment in working capital, increasing its return to shareholders, and more effectively utilizing its asset base. This was accomplished while maintaining substantial financial resources and flexibility as the Company had, as of March 31, 2002, \$216.0 million available on its Facility. This is a substantial increase over the unused revolving line of credit facility of \$125.0 million as of March 31, 2001. Decreased investments in accounts receivable and inventories, better management of current liabilities, and the unused Facility significantly reduced the Company's need to maintain a large cash and cash equivalent balance.

As described further in the cash flows discussion above, the Company utilized a significant portion of its operating cash flows to reduce its outstanding debt by \$92.2 million during the fiscal year and significantly reduced its debt-to-total capital ratio. Additionally, the Company entered into an unsecured \$325.0 million Facility under more favorable terms than the Company's prior revolving credit facility as the Company capitalized on declining interest rates and its improved financial position.

The decrease in the Company's working capital as of March 31, 2002 as compared to March 31, 2001 was primarily attributable to a decrease in the Company's cash and cash equivalents. The lower cash balance was primarily due to improved cash management that reduced the requirement to keep cash on hand.

Decreases in accounts receivable and inventories also contributed to the overall decrease in working capital by \$4.7 million and \$4.3 million, respectively. The Company's weighted days sales outstanding improved to 49 days as of March 31, 2002 from 61 days as of March 31, 2001. This improvement was primarily caused by the Company's increased collection efforts during fiscal 2002 despite the increased revenue volumes for fiscal 2002 as compared to fiscal 2001. The Company's inventory turns improved slightly to 3.8 as of March 31, 2002 as compared to 3.7 as of March 31, 2001. Finished goods inventories decreased by \$11.3 million due to strong revenues and related shipments during March 2002, as well as improved inventory control procedures. This decrease was partially offset by increases in raw materials and work-in-process inventories of \$3.3 million and \$3.7 million, respectively.

Accounts payable, increased and therefore decreased working capital, by \$8.2 million primarily due to capital expenditures taking place just prior to year-end related to plant capacity projects and hardware and software costs for the Company's management information systems projects.

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The increase in accrued expenses of \$1.6 million reflected several offsetting factors. Accrued income taxes increased \$10.5 million due to the increase in pre-tax income from fiscal 2002 as compared with fiscal 2001. This was offset by reductions to the restructuring reserves aggregating \$9.0 million.

Financing Activities

As described above, on March 28, 2002, STERIS entered into an unsecured \$325.0 million Facility which replaced the prior credit facility. The Facility matures March 28, 2005 and provides a multi-currency borrowing option. The Facility may be used for general corporate purposes, and bears interest at the Company's option at either LIBOR plus 0.68% to 1.60% or the lending agent's prime rate plus 0.00% to 0.75%. At March 31, 2002, the weighted average interest rate on the Company's outstanding borrowings under the Facility was 2.97%. At March 31, 2001, under the Company's previous credit facility arrangement, the weighted average interest rate was 7.74%. The Facility also requires the payment of a facility fee ranging from 0.20% to 0.40% of the total facility commitment amount. The interest rate and facility fee are determined based on the Company's leverage ratio. The Facility requires the maintenance of certain financial covenants including minimum net worth, leverage, and interest coverage. The Company was in compliance with the Facility covenants as of March 31, 2002. At March 31, 2002 the Company had \$109.0 million outstanding under the Facility.

Other debt consisted mainly of industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index plus a \$2.0 million note related to an acquisition. The bond agreements contain various covenants relating to minimum net worth, leverage, and interest coverage. At March 31, 2002 and 2001, outstanding obligations under the industrial development revenue bonds were \$5.0 million and \$5.7 million, respectively, with a weighted average interest rate of 1.70% and 3.75%, respectively. The Company was in compliance with the industrial development revenue bond covenants as of March 31, 2002.

The Company believes that its available cash, cash flow from operations, and sources of credit will be adequate to satisfy its operating and capital needs for the foreseeable future.

Contingencies and Commitments

As of March 31, 2002 and 2001, the Company was contingently liable in the amount of \$29.8 million and \$29.5 million, respectively, under standby letters of credit and guarantees. Approximately \$11.3 million and \$11.7 million, respectively, of the totals at March 31, 2002 and 2001 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts.

The Company has no material commitments for capital expenditures as of March 31, 2002. At March 31, 2002, the Company had commitments under non-cancelable operating leases aggregating \$52.5 million.

The following tables reflect the Company's contractual obligations and commercial commitments as of March 31, 2002. Commercial commitments include standby letters of credit, guarantees, and other potential cash outflows resulting from a contingent event that requires performance by the Company. Open purchase orders for raw materials and supplies used in the normal course of business have been excluded from the following tables.

Contractual Obligations

	Payments due by March 31,				
	2003	2004	2005	2006	2007 and thereafter
			(in thousands)		
Revolving credit facility	\$ —	\$ —	\$ 109,000	\$ —	\$ —
Industrial revenue development bonds and other	1,663	1,453	1,100	1,100	2,575
Operating leases	12,447	11,199	8,146	5,666	15,007
Total contractual obligations	\$ 14,110	\$ 12,652	\$ 118,246	\$ 6,766	\$ 17,582

Commercial Commitments

	Amount of Commitment Expiring March 31,		
	2003	2004	2005
	(in thousands)		
Performance bonds on long-term contracts	\$ 16,901	\$ 1,478	\$ 59
Letters of credit as security for self-insured risk retention policies	11,330	—	—
Total commercial commitments	\$ 28,231	\$ 1,478	\$ 59

Restructuring Reserves

Reductions to the restructuring reserves during fiscal 2002 related primarily to employee severance payments and asset disposals. The restructuring reserves were reduced by approximately \$1.0 million in the third quarter of fiscal 2002 as the final property disposal costs from the Medina, Ohio facility were less than originally anticipated. This adjustment was recorded as a reduction of costs of products sold on the accompanying consolidated statement of income. Restructuring reserves were increased by approximately \$2.6 million during the fourth quarter of fiscal 2002 for increased severance costs. The charge related to this accrual was recorded in selling, general, and administrative expenses on the accompanying consolidated statement of income. The Company has substantially completed all aspects of the operational changes related to the fiscal 2001 non-recurring charge. Restructuring reserves of \$4.2 million and \$12.8 million remained as of March 31, 2002 and 2001, respectively, related primarily to severance obligations.

The Company has substantially completed all aspects of the operational changes related to the fiscal 2000 non-recurring charge. An accrual of \$0.8 million remained on the books for this charge as of March 31, 2001. The remaining reserve relates to final settlement of certain lease obligations associated with the charge as well as remaining severance obligations. During fiscal 2002, \$0.4 million of lease and severance payments were recorded as reductions to the accrual. The remaining balance as of March 31, 2002 was \$0.4 million, which represented remaining lease and severance payments.

Inflation

The overall effects of inflation on the Company's business during the periods discussed have not been significant. The Company monitors the prices it charges for its products and services on an ongoing basis and believes that it will be able to adjust those prices to take into account future changes in the rate of inflation.

Euro

The Company converted its systems to appropriately handle all aspects of Euro processing. The Company did not incur significant costs for this conversion.

Critical Accounting Policies, Estimates, and Assumptions

This discussion and analysis of the Company's results of operations and financial condition is based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. Preparation of the consolidated financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, and expenses, and the related disclosure of contingencies. Management believes that the estimates, judgments, and assumptions made in preparing the consolidated financial statements are reasonable. However, due to the inherent nature of estimates, actual results will likely be different from the estimates made.

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The critical accounting policies that affect the Company's consolidated financial statements and which rely on judgments and assumptions are discussed below.

Revenue Recognition

Revenues earned on product sales and consumables to unaffiliated customers are generally recognized upon shipment and title transfer to the customer. After-sales and service revenues are recognized upon completion of the work. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related contract.

Revenues on long-term construction contracts are recognized under the cost-to-cost type of percentage-of-completion method, resulting in revenue being recorded as costs are incurred. Revenues recognized under the percentage-of-completion method aggregated approximately 4% of revenues for the fiscal years ended March 31, 2002 and 2001. This method requires the use of estimates of costs to be incurred for the manufacture of complex products and systems. Such costs are typically incurred over a period of several months and require substantial judgment. The cost estimation process is based upon the professional knowledge and experience of the Company's employees. The cost estimates are updated on a quarterly basis. Adjustments to projected costs are recognized in net earnings when determinable.

The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101, "Revenue Recognition" ("SAB 101"), which explains how the SEC staff believes existing revenue recognition rules should be applied. The Company reviewed the provisions of SAB 101 and determined that its revenue recognition policies and practices comply with SAB 101's requirements.

Accounts Receivable

The Company records estimated allowances for uncollectible accounts receivable based upon the number of days the accounts are past due, the current business environment, and specific information such as bankruptcy or liquidity issues of customers. Historically, losses for uncollectible accounts receivable have been within management's estimates. However, if actual losses exceed management's expectations, additional allowances may be required.

The Company maintains an allowance for sales returns and allowances on product sales. Management estimates the related allowance for sales returns and allowances based upon known returns granted and estimated returns of both capital equipment and consumables. The estimated returns of capital equipment are based upon recent historical experience and include estimates for the recoverability of the inventory value of the returned goods. The Company estimates that returned consumables do not carry any value due to the limited shelf life of such products.

Inventories

Management continually reviews inventories for excess and obsolete goods based upon a combination of historical and forecasted usage. Additionally, discrete provisions are made when facts and circumstances indicate that particular inventories will not be utilized. If future market conditions are different than those estimated, a change to inventory valuation reserves may be required and would be reflected in the period the revision is made. The Company recorded non-recurring charges for excess and obsolete inventory as part of overall restructuring activities aggregating \$7.4 million and \$7.0 million for the fiscal years ended March 31, 2001 and 2000, respectively.

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Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represent approximately 68.7% and 63.3% of total inventories at March 31, 2002 and 2001, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$10.8 million and \$11.6 million higher than those reported at March 31, 2002 and 2001, respectively.

Depreciation and Amortization Periods

The Company provides for depreciation and amortization generally using the straight-line method over the estimated useful lives of property, plant, and equipment, and goodwill and other intangible assets. Management bases the determination of these useful lives on the expected period over which the related assets contribute to cash flows. If the assessment of the lives of these long-lived assets changes, future depreciation and amortization expense may change.

Asset Impairment

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the measurement of the impairment would be based on the amount by which the carrying value of the asset exceeds its fair value.

Deferred Tax Assets

The Company has deferred tax assets, which are subject to assessments for recoverability. Realization of the Company's deferred tax assets is dependent upon the achievement of projected future taxable income and tax planning strategies. While management believes that it is more likely than not that the net assets will be realized, there can be no assurance that the Company will meet management's expectations for future taxable income and tax planning strategies. The Company evaluates the realizability of deferred tax assets on an annual basis and assesses the need for valuation allowances.

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile losses. The Company maintains a captive insurance company, Global Risk Insurance Company ("GRIC"), to fund such losses. The Company employs an outside actuary that utilizes GRIC's historical loss experience and actuarial judgment to determine the liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims. GRIC funds the Company's losses up to the following limits per occurrence: general and product liability—\$0.5 million, workers' compensation—\$0.4 million, and automobile—\$0.4 million. The Company pays a monthly premium to GRIC. Losses greater than these limits are covered by third party insurance. The Company's accrual for the self-insurance risk retention as of March 31, 2002 and 2001 was \$8.1 million and \$7.8 million, respectively.

The Company also carries self-insurance for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time it is reported to and paid by the Company. The Company's accrual for medical claims as of March 31, 2002 and 2001 was \$3.7 million and \$2.8 million, respectively.

There can be no guarantee that the Company's insurance coverages will continue to be adequate and actual loss experience may exceed the amounts provided for incurred but not reported claims. Any excess of the actual claims over the amounts estimated for loss reserves and incurred but not reported claims will result in increased insurance costs in subsequent periods.

Warranties

The Company provides for the estimated cost of product warranties at the time revenue is recognized. While the Company engages in extensive quality programs and processes, including actively monitoring and evaluating the quality of suppliers, warranty experience could differ from management's estimates. If actual product failure rates, material usage, or service costs differ from management's estimates, revisions to the estimated warranty liability will be required. As of March 31, 2002 and 2001, the Company had accrued \$3.3 million and \$3.2 million, respectively for warranty exposures.

Contingencies

The Company is subject to various claims and lawsuits as well as unasserted claims that arise in the ordinary course of business. Liabilities, costs, and disclosures associated with these matters require estimates and judgment based on professional knowledge and experience of management and its legal counsel. Management has made estimates as to the likelihood of unfavorable outcome and the amounts of such potential losses. When estimates of the Company's exposure for claims or pending or threatened litigation matters meet the criteria of Statement of Financial Account Standards No. 5, "Accounting for Contingencies," amounts are recorded as charges to net earnings. The ultimate resolution of any exposure to the Company may change as further facts and circumstances are made available.

Benefit Plans

Assumptions used in determining the projected benefit obligations and fair value of plan assets for the Company's pension plans and postretirement benefit plan are evaluated periodically by management in consultation with outside actuaries. Changes in assumptions are based upon relevant Company and outside data, such as increases in compensation levels, the long-term rate of return on plan assets, and increases in medical costs. Critical assumptions such as the discount rate used to measure the Company's benefit obligations, the expected long-term rate of return on plan assets, and healthcare costs are updated annually.

Total pension plan assets as of March 31, 2002 and 2001 were \$35.1 million and \$37.5 million, respectively. Total pension benefit obligations as of March 31, 2002 and 2001 were \$41.4 million and \$39.6 million, respectively. The Company's pension plans are funded in conformity with the funding requirements of applicable government regulations. Plan assets are invested in mutual funds. There is no guarantee that the actual return on the plans' assets will equal the expected long-term rate of return on plan assets or that the trusts will not incur investment losses. During fiscal 2001, the plans suffered a loss on plan assets of \$5.9 million. Should investment losses continue to occur or the actual long-term return on assets continues to be below anticipated levels, the Company may be required to increase funding of the plans, lower its expected return on plan assets, or incur additional net periodic pension costs.

A one-fourth percent change in discount rate for the Company's pension plans, holding other assumptions constant, would have the following effect on the pension benefit obligation. Additionally, a one-fourth percent change in the expected long-term rate of return, holding other assumptions constant, would have the following effect on costs on an annual basis:

	One-Fourth-Percentage Point	
	Increase	Decrease
	(in thousands)	
Discount rate	\$ (948)	\$ 948
Expected long-term rate of return	\$ (91)	\$ 91

The Company maintains an unfunded postretirement benefit plan. The postretirement benefit obligation as of March 31, 2002 and 2001 was \$63.7 million and \$58.8 million, respectively. The net postretirement accrued

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benefit cost as of March 31, 2002 and 2001 was \$51.3 million and \$50.0 million, respectively. During fiscal 2002, the Company increased its estimate of the prescription drug healthcare trend rate. This resulted in an actuarial loss of \$4.1 million. The Company utilizes the corridor approach for the amortization of actuarial gains and losses. Therefore, the actuarial gains and losses in excess of 10% of the postretirement benefit obligation are amortized over the average expected working lifetime of plan participants of approximately 12 years. Should healthcare cost rates continue to rise, the Company will revise its estimated healthcare cost trend rates. Any increase in the healthcare cost trend rates will increase the net period postretirement costs for future periods as the actuarial losses are amortized.

A one percent change in the healthcare trend rates (including medical, prescription drug, and long-term rates) for the Company's postretirement plan, holding all other assumptions constant, would have the following effect on costs on an annual basis:

	One-Percentage Point	
	Increase	Decrease
	(in thousands)	
Effect on total service and interest cost components	\$ 585	\$ (494)
Effect on postretirement benefit obligation	\$ 6,067	\$ (5,173)

Recently Issued Accounting Pronouncements

Effective April 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (as amended by Statement of Financial Accounting Standards No. 138). In accordance with the Statement, the Company will recognize the fair value of its derivative instruments as assets or liabilities in its consolidated balance sheet. The resulting gain or loss will be reflected as other comprehensive income or in earnings, depending upon the achievement of hedge accounting criteria. During fiscal year 2002, the Company owned no derivative instruments and consequently the adoption had no impact on the consolidated financial statements.

In June 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. Upon adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 requires the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The adoption of SFAS 142 is expected to add approximately \$0.05 to the earnings per share for the year ending March 31, 2003 as compared to the year ended March 31, 2002. The Company has not yet completed its impairment testing under SFAS 142, but based on preliminary results, believes that goodwill will not be impaired upon initial application of SFAS 142.

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," was issued. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the associated retirement costs by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the remaining estimated useful life of the related asset. The Company is required to adopt this Statement for the year ending March 31, 2004. The Company believes that the impact of the adoption on the Company's consolidated financial statements will not be material.

In October 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued. This Statement, which supersedes Statement of Financial

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Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the Statement significantly changes the criteria that must be met to classify an asset as held-for-sale. The new rules also will supersede the provisions of the Accounting Principles Board Opinion No. 30 ("APB 30") with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the losses are incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions will qualify for discontinued operations treatment in the income statement. The Statement is effective for the Company beginning April 1, 2002. Based on current operations, the Company has determined the impact of adoption on the Company's consolidated financial statements will not be material.

Forward-Looking Statements

This discussion contains statements concerning certain trends and other forward-looking information affecting or relating to the Company and its industry that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," and "seeks," or the negative of such terms or other variations on such terms or comparable terminology. The Company does 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. Many important factors could cause actual results to differ materially from those in the forward-looking statements. Many of these important factors are outside STERIS's control. Changes in market conditions, including competitive factors and changes in government regulations or the application thereof, could cause actual results to differ materially from the Company's expectations. No assurance can be provided as to any future financial results. Other potential risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements include, without limitation, (a) the potential for increased pressure on pricing that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products, and applications, (c) the possibility that compliance with the regulations and certification requirements of domestic and foreign authorities may delay or prevent new product introductions or affect the production and marketing of existing products, (d) the potential effects of fluctuations in foreign currencies where the Company does a sizable amount of business, (e) the possibility that implementation of the Company's business improvement initiatives will take longer, cost more, or produce lower benefits than anticipated, and (f) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company's products and services.

Item 7a. Quantitative and Qualitative Disclosure About Market Risk

In the ordinary course of business, the Company is subject to interest rate and foreign currency risks. The risks primarily relate to changes in interest rates on the Company's short-term and long-term debt instruments and the sale of the Company's products to international customers through foreign subsidiaries.

Interest Rate Risk

Consistent with the prior year, the Company is exposed to market risk through various debt instruments, including fixed rate and floating rate debt instruments. As of March 31, 2002 the Company had \$109.0 million outstanding under its revolving credit facility and \$7.9 million outstanding under other borrowing agreements. Based on March 31, 2002 debt levels, a 1.0% change in interest rates would impact interest expense by approximately \$1.2 million annually. The Company monitors its interest rate risk, but does not engage in any hedging activities using derivative financial instruments to mitigate such risk.

Foreign Currency Risk

The financial results of the Company's foreign operations are measured in their functional currencies. Assets and liabilities are translated to U.S. dollars at the rates of exchange at the end of the fiscal year and revenues and expenses are translated at average rates of exchange during the fiscal year. The resulting translation adjustments are recorded as a component of comprehensive income or loss. Since the Company operates internationally and approximately 15% of the Company's revenues are generated outside of the United States, it is exposed to foreign currency fluctuations. Historically, the Company has not experienced any significant foreign currency gains or losses involving U.S. dollars or other currencies. This is primarily due to the natural hedges of revenues and expenses in the functional currencies of the countries in which the Company's foreign operations are located. Movements in foreign currency exchange rates affect the U.S. dollar value of sales made and costs incurred in foreign currencies. Changing currency exchange rates also affect the Company's competitive position, as exchange rate changes may affect profitability and business and/or pricing strategies of non-U.S. based competitors. Specifically, the exposure includes intercompany loans and third party sales or payments. The Company does not consider the market risk associated with its international operations to be material. The Company does not currently use derivative financial instruments for hedging or speculative purposes.

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Item 8. *Financial Statements and Supplementary Data*

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REPORT OF MANAGEMENT

Board of Directors and Shareholders
STERIS Corporation

The management of STERIS Corporation (the “Company”) is responsible for the preparation, integrity, and objectivity of the consolidated financial statements and the accuracy and consistency of all other financial information included in this report. Management believes that the consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. Any amounts included herein which are based on estimates of the expected effects of events and transactions have been made with sound judgment and approved by qualified personnel.

The Company maintains internal controls to provide reasonable assurance that assets are safeguarded against unauthorized acquisition, use, or disposition and that transactions and events are recorded properly in the Company’s books and records. The internal controls are regularly reviewed, evaluated, and revised as necessary by management. The design, review, and revision of the Company’s internal controls involve, among other things, management judgments with respect to the relative cost and expected benefits of specific control measures.

The independent accounting firm of Ernst & Young LLP has audited the consolidated financial statements included in this report. Management believes their audits were conducted in accordance with auditing standards generally accepted in the United States and included a study and evaluation of the Company’s internal controls as they considered necessary to determine the extent of tests and audit procedures required for expressing an opinion on the Company’s consolidated financial statements. Management has made available to the independent auditors all of the Company’s financial records and related data as well as minutes of shareholders’ and directors’ meetings. Furthermore, management believes that all representations made to the independent auditors during their audits were valid and appropriate.

The Board of Directors pursues its oversight responsibility for the financial statements through its Audit Committee, composed of Directors who are not employees of the Company. The Audit Committee meets regularly with management, the Company’s internal auditor, and the independent auditors in connection with its review of matters relating to the Company’s consolidated financial statements, internal audit program, and internal controls, and the services of the independent auditors. The Audit Committee also meets with the internal auditor as well as the independent auditors, without management present, to discuss appropriate matters. The independent auditors have full and free access to the Audit Committee and its individual members at any time.

/s/ LES C. VINNEY

Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director

/s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
STERIS Corporation

We have audited the accompanying consolidated balance sheets of STERIS Corporation and subsidiaries as of March 31, 2002 and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of STERIS Corporation and subsidiaries at March 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
April 23, 2002

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31,	
	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,424	\$ 24,710
Accounts receivable (net of allowances of \$8,031 and \$9,006, respectively)	196,631	201,305
Inventories	77,922	82,239
Deferred income taxes	20,011	24,025
Prepaid expenses and other assets	9,656	7,920
	316,644	340,199
Property, plant, and equipment, net	328,329	314,142
Intangibles, net	190,822	187,924
Other assets	5,777	2,715
	841,572	844,980
Total assets		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term indebtedness	\$ 1,663	\$ 1,263
Accounts payable	56,734	48,494
Accrued expenses and other	111,713	110,156
	170,110	159,913
Long-term indebtedness	115,228	205,825
Deferred income taxes	19,381	10,529
Other liabilities	49,708	44,329
	354,427	420,596
Total liabilities		
Shareholders' equity:		
Serial preferred shares, without par value, 3,000 shares authorized; no shares issued or outstanding	—	—
Common Shares, without par value, 300,000 shares authorized; issued and outstanding shares of 69,466 and 68,665, respectively	223,244	203,760
Retained earnings	277,867	231,665
Accumulated other comprehensive loss:		
Minimum pension liability	(1,038)	—
Cumulative foreign currency translation adjustment	(12,928)	(11,041)
	487,145	424,384
Total shareholders' equity		
	\$ 841,572	\$ 844,980
Total liabilities and shareholders' equity		

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(in thousands, except per share amounts)

	Years Ended March 31,		
	2002	2001	2000
Net revenues	\$ 866,697	\$ 800,087	\$ 760,626
Cost of products sold	511,496	488,629	461,801
Gross profit	355,201	311,458	298,825
Operating expenses:			
Selling, general, and administrative	252,882	263,309	244,950
Research and development	21,706	23,975	24,169
	274,588	287,284	269,119
Income from operations	80,613	24,174	29,706
Interest expense, net	7,276	18,417	12,794
Income before income taxes	73,337	5,757	16,912
Income taxes	27,135	4,440	6,427
Net income	\$ 46,202	\$ 1,317	\$ 10,485
Net income per share—basic	\$ 0.67	\$ 0.02	\$ 0.16
Net income per share—diluted	\$ 0.65	\$ 0.02	\$ 0.15

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended March 31,		
	2002	2001	2000
Operating activities			
Net income	\$ 46,202	\$ 1,317	\$ 10,485
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	46,884	46,571	39,672
Deferred income taxes	12,866	1,652	4,057
Asset impairment	—	10,163	—
Other	6,098	4,962	(1,860)
Changes in operating assets and liabilities:			
Accounts receivable	4,674	8,143	24,073
Inventories	4,317	32,483	(9,839)
Other current assets	(1,736)	(2,370)	8,877
Accounts payable, accruals, and other, net	22,718	(582)	(126)
Net cash provided by operating activities	142,023	102,339	75,339
Investing activities			
Purchases of property, plant, equipment, and patents	(65,678)	(51,017)	(77,131)
Proceeds from sales of assets	2,164	90	—
Investment in businesses, net	(5,097)	—	(8,134)
Net cash used for investing activities	(68,611)	(50,927)	(85,265)
Financing activities			
Payments on long-term obligations	(1,173)	(1,947)	(8,884)
(Payments) borrowings under line of credit, net	(91,000)	(63,000)	55,000
Purchase of treasury shares	—	—	(28,712)
Stock option and other equity transactions	6,736	3,368	4,108
Net cash (used in) provided by financing activities	(85,437)	(61,579)	21,512
Effect of exchange rate changes on cash and cash equivalents	(261)	(599)	210
(Decrease) increase in cash and cash equivalents	(12,286)	(10,766)	11,796
Cash and cash equivalents at beginning of period	24,710	35,476	23,680
Cash and cash equivalents at end of period	\$ 12,424	\$ 24,710	\$ 35,476

See notes to consolidated financial statements .

STERIS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Shares		Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Number	Amount			
Balance at April 1, 1999	67,956	\$ 222,946	\$ 219,863	\$ (6,872)	\$ 435,937
Net income	—	—	10,485	—	10,485
Foreign currency translation adjustment	—	—	—	(635)	(635)
Comprehensive income					9,850
Stock options exercised	1,010	4,253	—	—	4,253
Treasury shares purchased	(1,540)	(28,712)	—	—	(28,712)
Tax benefit of stock options exercised	—	4,232	—	—	4,232
Other equity transactions	91	(4,466)	—	—	(4,466)
Balance at March 31, 2000	67,517	198,253	230,348	(7,507)	421,094
Net income	—	—	1,317	—	1,317
Foreign currency translation adjustment	—	—	—	(3,534)	(3,534)
Comprehensive loss					(2,217)
Stock options exercised	1,223	5,147	—	—	5,147
Tax benefit of stock options exercised	—	4,449	—	—	4,449
Other equity transactions	(75)	(4,089)	—	—	(4,089)
Balance at March 31, 2001	68,665	203,760	231,665	(11,041)	424,384
Net income	—	—	46,202	—	46,202
Minimum pension liability	—	—	—	(1,038)	(1,038)
Foreign currency translation adjustment	—	—	—	(1,887)	(1,887)
Comprehensive income					43,277
Stock options exercised	786	6,450	—	—	6,450
Tax benefit of stock options exercised	—	3,380	—	—	3,380
Expiration of put held by former executive	—	9,000	—	—	9,000
Other equity transactions	15	654	—	—	654
Balance at March 31, 2002	69,466	\$ 223,244	\$ 277,867	\$ (13,966)	\$ 487,145

See notes to consolidated financial statements.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except per share amounts)

1. Accounting Policies

STERIS Corporation (the “Company” or “STERIS”) develops, manufactures, and markets infection prevention, contamination prevention, microbial reduction, and therapy support systems, products, services, and technologies for healthcare, scientific, research, and industrial customers throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Intercompany accounts and transactions have been eliminated upon consolidation.

Revenue Recognition

The Company’s net revenues include revenues earned on product sales and related after-sales, service contracts, and long-term construction contracts. The Company recognizes product revenues upon title transfer to the customer. After-sales and service revenues are recognized upon completion of the work. Revenues related to long-term service contracts are recognized on a straight-line basis over the life of the related contract. Advance billings for service contract work are recorded as deferred revenue and amortized over the life of the contract. Revenue on long-term construction contracts is recognized under the cost-to-cost type of percentage-of-completion method, resulting in revenue being recorded as costs are incurred.

The Company records amounts billed to customers for shipping and handling as revenue. All outbound shipping and handling expenses are included in cost of products sold.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, “Revenue Recognition” (“SAB 101”), which explains how the SEC staff believes existing revenue recognition rules should be applied. The Company reviewed the provisions of SAB 101 and determined that its revenue recognition policies and practices complied with SAB 101’s requirements.

Accounts Receivable

The Company performs periodic credit evaluations of its customers’ financial condition and generally does not require collateral on sales. The Company maintains allowances for potential credit losses and historically such credit losses have been within the Company’s expectations. The Company sells to customers who are in widely diverse geographic locations and markets with no single customer accounting for more than one and one half percent of revenues during the year ended March 31, 2002.

Inventories

Inventories are stated at the lower of cost or market. The Company uses the last-in, first-out (LIFO) and first-in, first-out (FIFO) cost methods. Inventories utilizing LIFO represented approximately 68.7% and 63.3% of total inventories at March 31, 2002 and 2001, respectively. Inventory costs include material, labor, and overhead. If the FIFO method of inventory costing had been used exclusively, inventories would have been \$10,750 and \$11,626 higher than those reported at March 31, 2002 and 2001, respectively.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, less accumulated depreciation. The Company provides for depreciation of the net carrying cost less anticipated salvage value over the estimated remaining useful lives of property, plant, and equipment principally by using the straight-line method. Depreciation of radioisotope is determined by use of the annual decay factor inherent in the material, which is similar to the sum-of-the-years-digits method. The estimated useful lives, in years, by asset type are as follows:

<u>Asset Type</u>	<u>Useful Life</u>
Land improvements	10
Buildings and leasehold improvements	7-50
Machinery and equipment	3-15
Radioisotope	20

Expenditures that increase the value or productive capacity of assets, including information systems, are capitalized. Repair and maintenance expenditures are expensed as incurred. The Company capitalizes interest costs incurred during construction of long-lived assets in accordance with the requirements of Statement of Financial Accounting Standards No. 34, "Capitalization of Interest Cost." The Company capitalized \$818 and \$0 of interest costs during the years ended March 31, 2002 and 2001, respectively.

Intangible Assets

Costs incurred to obtain product technology rights, including patents, have been capitalized and are amortized over their estimated useful lives using the straight-line method. The Company currently provides for the amortization of intangible assets, including goodwill, over lives ranging from 5 to 40 years. Beginning April 1, 2002, the Company will cease recording goodwill amortization in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142").

Asset Impairment

The Company continually evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of any long-lived or intangible asset may warrant revision or that the remaining balance of the asset may not be recoverable. If factors indicate that the long-lived assets should be evaluated for possible impairment, the Company uses an estimate of the related asset's net undiscounted cash flows from operations over the remaining life to determine recoverability; the measurement of the impairment would be based on the amount by which the carrying value exceeds its fair value.

Self-Insurance Liabilities

The Company records a liability for self-insured risk retention for general and product liability, workers compensation, and automobile losses that is actuarially determined. The Company employs an outside actuary that utilizes the Company's historical loss experience and actuarial judgment to determine the liability. Such liability includes estimated provisions for both loss reserves and incurred but not reported claims.

The Company is also self-insured for employee medical claims. The Company estimates a liability for incurred but not reported claims based upon recent claims experience and an analysis of the average period of time between the occurrence of a claim and the time its is reported to and paid by the Company.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions in certain circumstances that affect the amounts reported in the accompanying consolidated financial statements and notes. Actual results could differ from these estimates.

Foreign Currency Translation

The accounts of the Company's foreign subsidiaries are recorded in the currency of the country in which they operate. All balance sheet accounts except shareholders' equity are translated at current exchange rates, and revenue and expense items are translated at rates of exchange prevailing during the year. Foreign currency gains and losses from changes in exchange rates have not been material to the consolidated statements of income.

Advertising Expenses

The costs of advertising are expensed as incurred in accordance with the requirements of AICPA Statement of Position 93-7, "Reporting for Advertising Costs." The Company incurred \$18,942, \$20,481, and \$18,484 in advertising costs during the years ended March 31, 2002, 2001, and 2000, respectively.

Cash Equivalents and Supplemental Cash Flow Information

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consisted primarily of interest-bearing savings accounts, commercial paper, and United States government securities.

Supplemental disclosure of cash flow information follows:

	Years Ended March 31,		
	2002	2001	2000
Cash paid during the year for:			
Interest	\$ 9,519	\$ 18,335	\$ 17,280
Income taxes	\$ (1,676)	\$ 8,024	\$ 9,114

Reclassifications

Certain reclassifications have been made to the Company's prior years' financial statements to conform to current year classifications.

Fair Value of Financial Instruments

The recorded value of the Company's financial instruments, which includes cash, cash equivalents, and long-term debt, approximates fair value. Financial instruments potentially subject the Company to concentration of credit risk. The Company invests its excess cash in high-quality securities placed with major banks and financial institutions and government securities. The Company has established guidelines relative to diversification and maturities to maintain safety and liquidity.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Recently Issued Accounting Pronouncements

Effective April 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (as amended by Statement of Accounting Standards No. 138). In accordance with the Statement, the Company will recognize the fair value of its derivative instruments as assets or liabilities in its consolidated balance sheet. The resulting gain or loss will be reflected as other comprehensive income or in earnings, depending upon the achievement of hedge accounting criteria. During fiscal year 2002, the Company owned no derivative instruments and consequently the adoption had no impact on the consolidated financial statements.

In June 2001, Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141"), and SFAS 142, were issued by the Financial Accounting Standards Board. SFAS 141 eliminates the pooling-of-interests method for business combinations and requires the use of the purchase method. SFAS 142 changes the accounting for goodwill and indefinite life intangibles from an amortization approach to a non-amortization approach, and requires periodic tests for impairment of these assets. Upon adoption of SFAS 142 on April 1, 2002, the provisions of SFAS 142 requires the discontinuance of amortization of goodwill and indefinite life intangibles that had been recorded in connection with previous business combinations. The adoption of SFAS 142 is expected to add approximately \$0.05 to the earnings per share for the year ending March 31, 2003 as compared to the year ended March 31, 2002. The Company has not yet completed its impairment testing under SFAS 142, but based on preliminary results, believes that goodwill will not be impaired upon initial application of SFAS 142.

In August 2001, Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations," was issued. This Statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes the associated retirement costs by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the remaining estimated useful life of the related asset. The Company is required to adopt this Statement for the year ending March 31, 2004. The Company believes that the impact of the adoption on the Company's consolidated financial statements will not be material.

In October 2001, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," was issued. This Statement, which supercedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"), provides a single accounting model for long-lived assets to be disposed of. Although retaining many of the fundamental recognition and measurement provisions of SFAS 121, the Statement significantly changes the criteria that must be met to classify an asset as held-for-sale. The new rules also will supersede the provisions of the Accounting Principles Board Opinion No. 30 ("APB 30") with regard to reporting the effects of a disposal of a segment of a business and will require expected future operating losses from discontinued operations to be displayed in discontinued operations in the period(s) in which the losses are incurred (rather than as of the measurement date as presently required by APB 30). In addition, more dispositions will qualify for discontinued operations treatment in the income statement. The Statement is effective for the Company beginning April 1, 2002. Based on current operations, the Company has determined the impact of adoption on the Company's consolidated financial statements will not be material.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

2. Inventories

Inventories consisted of the following:

	March 31,	
	2002	2001
Raw materials	\$ 22,746	\$ 19,463
Work in process	26,503	22,810
Finished goods	28,673	39,966
Total inventories	\$ 77,922	\$ 82,239

3. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following:

	March 31,	
	2002	2001
Assets		
Land and land improvements	\$ 20,810	\$ 21,443
Buildings and leasehold improvements	125,830	129,524
Machinery and equipment	237,186	229,186
Radioisotope	74,829	66,618
Construction in progress	44,030	10,093
Total	\$ 502,685	456,864
Less: accumulated depreciation	(174,356)	(142,722)
Property, plant, and equipment, net	\$ 328,329	\$ 314,142

Depreciation expense was \$40,665, \$39,573, and \$32,865 for the years ended March 31, 2002, 2001, and 2000, respectively. Rental expense for leases was \$13,734, \$12,656, and \$11,052 for the years ended March 31, 2002, 2001, and 2000, respectively. Operating leases relate principally to warehouse and office space, service facilities, vehicles, equipment, and communication systems.

Future minimum annual rentals payable under noncancelable leases at March 31, 2002 were as follows:

	Operating Leases
2003	\$ 12,447
2004	11,199
2005	8,146
2006	5,666
2007	4,261
Thereafter	10,746
Total minimum lease payments	\$ 52,465

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

4. Intangible Assets

Intangible assets consisted of the following:

	March 31,	
	2002	2001
Goodwill, net of accumulated amortization of \$40,076 and \$35,374, respectively	\$ 182,688	\$ 182,157
Patents, trademarks, and other intangible assets, net of accumulated amortization of \$15,932 and \$46,028, respectively	8,134	5,767
Total	\$ 190,822	\$ 187,924

During the year ended March 31, 2002, the Company removed from its records fully amortized intangible assets with an aggregate cost of \$31,855. No gain or loss was recorded.

5. Long-Term Debt

Long-term indebtedness was as follows:

	March 31,	
	2002	2001
Credit facility	\$ 109,000	\$ 200,000
Other debt	7,891	7,088
Total	116,891	207,088
Less: current portion	1,663	1,263
Long-term portion	\$ 115,228	\$ 205,825

On March 28, 2002, STERIS entered into an unsecured \$325,000 Revolving Credit Facility (the "Facility") which replaced a prior credit facility. The Facility matures March 28, 2005 and provides a multi-currency borrowing option. The Facility may be used for general corporate purposes and bears interest at the Company's option at either LIBOR plus 0.68% to 1.60% or the lending agent's prime rate plus 0.00% to 0.75%. At March 31, 2002, the weighted average interest rate on the Company's outstanding borrowings under the Facility was 2.97%. At March 31, 2001, under the Company's previous credit facility arrangement, the weighted average interest rate was 7.74%. The Facility also requires the payment of a facility fee ranging from 0.20% to 0.40% of the total facility commitment amount. The interest rate and the facility fee are determined based on the Company's leverage ratio. The Facility requires the maintenance of certain financial covenants including minimum net worth, leverage, and interest coverage. The Company was in compliance with the Facility covenants as of March 31, 2002.

Other debt consisted mainly of industrial development revenue bonds which bear interest at a variable rate based on the bank/marketing agent's demand note index plus a \$2.0 million note related to an acquisition. The bond agreements contain various covenants relating to minimum net worth, leverage, and interest coverage. At March 31, 2002 and 2001, outstanding obligations under the industrial development revenue bonds were \$5,000 and \$5,700, respectively, with a weighted average interest rate of 1.70% and 3.75%, respectively. The Company was in compliance with the industrial development revenue bond covenants as of March 31, 2002.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The combined annual aggregate amount of maturities are as follows:

2003	\$	1,663
2004		1,453
2005		110,100
2006		1,100
2007 and thereafter		2,575
	\$	116,891

6. Accrued Expenses and Other

Accrued expenses and other consisted of the following:

	March 31,	
	2002	2001
Taxes	\$ 27,430	\$ 16,912
Employee compensation and related items	25,875	26,615
Self-insured risk retention	15,965	14,566
Deferred service contract revenue	9,771	9,682
Pension and postretirement benefit obligations—current portion	6,787	6,416
Restructuring reserves	4,637	13,599
Other	21,248	22,366
Total	\$ 111,713	\$ 110,156

7. Income Taxes

Income (loss) from continuing operations before income taxes was as follows:

	Years Ended March 31,		
	2002	2001	2000
United States operations	\$ 58,862	\$ (4,872)	\$ 13,916
Non-United States operations	14,475	10,629	2,996
	\$ 73,337	\$ 5,757	\$ 16,912

The components of the provision for income taxes consisted of the following:

	Years Ended March 31,		
	2002	2001	2000
Current provision:			
United States federal	\$ 8,393	\$ (992)	\$ (2,020)
United States state and local	2,855	1,634	2,492
Non-United States	3,021	2,146	1,898
Total current provision	14,269	2,788	2,370
Deferred expense	12,866	1,652	4,057
Total provision for income taxes	\$ 27,135	\$ 4,440	\$ 6,427

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The total provision for income taxes can be reconciled to the tax computed at the United States federal statutory rate as follows:

	Years Ended March 31,		
	2002	2001	2000
Tax computed at the United States federal statutory tax rate	\$ 25,668	\$ 2,015	\$ 5,919
(Reduction) increase of income tax accruals	(366)	1,151	(2,081)
State and local taxes, net of federal income tax benefit	1,856	1,062	1,024
Goodwill	985	2,220	1,041
Difference in non-United States tax rates	(2,045)	(1,574)	526
All other, net	1,037	(434)	(2)
Total provision for income taxes	\$ 27,135	\$ 4,440	\$ 6,427

The significant components of the net deferred tax assets recorded in the accompanying consolidated balance sheets were as follows:

	March 31,	
	2002	2001
Net Deferred Tax Assets		
Post-retirement benefit accrual	\$ 16,298	\$ 17,212
Net operating loss carryforwards	2,378	4,268
Accrued expenses and other	22,705	21,142
Plant and equipment	(30,589)	(21,225)
Intangibles	(4,688)	(3,116)
Inventory and other	(3,096)	(517)
Valuation allowance	(2,378)	(4,268)
Total net deferred tax assets	\$ 630	\$ 13,496

For tax return purposes, certain non-United States subsidiaries had operating loss carryforward benefits of \$2,378, of which \$440 expire at various dates beginning in 2002. The remaining benefit relates to amounts that can be carried forward indefinitely. A valuation allowance has been applied to these net operating loss carryforwards as the Company anticipates that it may not receive future benefit for all of these carryforwards.

At March 31, 2002, cumulative undistributed earnings of non-United States subsidiaries included in consolidated retained earnings amounted to \$52,428. These earnings are indefinitely reinvested in non-United States operations. Accordingly, no provision has been made for taxes related to such earnings, nor is it practicable to determine the amount of this liability.

8. Benefit Plans

The Company has non-contributory pension plans covering certain manufacturing and plant administrative personnel as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. Benefits are determined based on the employee's years of service and compensation. The Company's plans are funded in conformity with the funding requirements of applicable government regulations. All pension plans covering United States operations have been closed to entrance by new participants. Plan assets are invested in mutual funds as directed by the Plan's trustee.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

In addition to providing pension benefits to certain employees, the Company sponsors an unfunded postretirement medical benefit plan for a group of employees comprised substantially of the same employees who receive pension benefits. Benefits under this plan include retiree life insurance, retiree medical insurance, and Medicare supplement coverage. This plan has certain retiree contributions such as deductibles. Covered employees are generally eligible for these benefits when they have reached 55 years of age and 10 years of service.

The Company also maintains a defined contribution plan for eligible employees. The Company provides a match on a specified portion of an employee's contribution as approved by the board of directors. The defined contribution plan's assets are held in trust and invested as directed by the plan participants. As of March 31, 2002, the plan owned 1.8 million shares of the Company's common stock with a fair value of \$37,719. The aggregate fair value of plan assets was \$161,739 as of March 31, 2002. The Company paid no dividends to the plan for the year ended March 31, 2002. The Company's contributions to defined contribution plans were \$3,942, \$3,798, and \$3,818 for the years ended March 31, 2002, 2001, and 2000, respectively.

The following table sets forth the funded status and amounts recognized in the accompanying consolidated balance sheets for the Company's defined benefit plans:

	Pension Benefits		Other Postretirement Benefits	
	March 31,		March 31,	
	2002	2001	2002	2001
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 39,598	\$ 41,696	\$ 58,768	\$ 57,446
Service cost	798	883	526	452
Interest cost	2,895	2,722	4,238	3,876
Actuarial loss (gain)	727	(2,352)	4,138	759
Benefits paid	(2,650)	(2,416)	(3,999)	(3,765)
Plan curtailments	—	(208)	—	—
Settlements	—	(727)	—	—
	\$ 41,368	\$ 39,598	\$ 63,671	\$ 58,768
Change in plan assets:				
Fair value of plan assets at the beginning of year	\$ 37,501	\$ 46,677	\$ —	\$ —
Actual return (loss) on plan assets	216	(5,878)	—	—
Employer contribution	—	—	3,999	3,765
Benefits paid	(2,648)	(2,583)	(3,999)	(3,765)
Settlement	—	(715)	—	—
	\$ 35,069	\$ 37,501	\$ —	\$ —
Funded status of the plan	\$ (6,299)	\$ (2,097)	\$ (63,671)	\$ (58,768)
Unamortized transition amount	(844)	(955)	—	—
Unamortized prior service cost	2,160	2,448	(162)	(359)
Unamortized loss	3,776	491	12,580	9,159
	\$ (1,207)	\$ (113)	\$ (51,253)	\$ (49,968)

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Net periodic cost of the Company's defined benefit plans includes the following components:

	Pension Benefits			Other Postretirement Benefits		
	2002	2001	2000	2002	2001	2000
Service cost	\$ 798	\$ 883	\$ 968	\$ 526	\$ 452	\$ 487
Interest cost	2,895	2,722	2,708	4,238	3,876	3,476
Expected return on plan assets	(2,884)	(3,571)	(3,478)	—	—	—
Effect of settlement	—	(152)	(131)	—	—	—
Net amortization and deferral	285	(1,132)	(731)	520	504	297
Net periodic cost (benefit)	\$ 1,094	\$ (1,250)	\$ (664)	\$ 5,284	\$ 4,832	\$ 4,260

The assumptions used in the measurement of actuarial present value of the projected benefit obligations for the Company's pension plans are shown in the following table:

	2002	2001	2000
Actuarial assumptions:			
Discount rate	7.5%	7.5%	7.0%
Expected long-term return on plan assets	8.0%	8.0%	8.0%

Unrecognized gains and losses and the initial net pension asset are amortized over a fifteen-year period. The projected benefit obligation applicable to pension plans with accumulated benefit obligations in excess of plan assets was \$38,609 and \$36,996 at March 31, 2002 and 2001, respectively. The accumulated benefit obligations related to these plans was \$37,730 and \$35,990 while the fair value of the related plan assets were \$31,317 and \$33,530 at March 31, 2002 and 2001, respectively. As of March 31, 2002, the Company had recorded an intangible asset of \$2,113 in recognition of unrecognized prior service cost, other comprehensive loss of \$1,038, (net of taxes of \$609), and an additional minimum liability of \$3,760 in connection with these plans on the accompanying consolidated balance sheets. As of March 31, 2002 the Company accrued \$6,531 of accrued pension costs related to plans that have accumulated benefit obligations in excess of plan assets. As of March 31, 2002, the Company has recorded \$1,564 of prepaid pension cost related to pension plans that have plan assets in excess of the projected benefit obligations.

The Company has made actuarial assumptions regarding healthcare costs in computing its postretirement benefit obligation. The assumed rates of increase generally decline ratably over an eight-year period from the assumed current year healthcare cost trend rate to the assumed long-term healthcare cost trend rate noted below. The Company experienced an actuarial loss of \$4,138 during fiscal 2002 due to a larger than expected increase in per capita prescription drug costs. The Company utilizes the corridor approach for the amortization of actuarial gains and losses. Therefore, actuarial gains and losses in excess of 10% of the benefit obligation are amortized over the average expected working lifetime of plan participants of approximately 12 years. The liability for the other postretirement benefit obligation, less current portions of \$4,000 as of March 31, 2002 and 2001 were included in other long-term liabilities on the accompanying consolidated balance sheets.

The assumptions used in the measurement of the actuarial present value of the projected benefit obligation for the Company's postretirement medical benefit plan are shown in the following table:

	2002	2001	2000
Actuarial assumptions:			
Discount rate	7.5%	7.5%	7.0%
Healthcare cost trend rate—medical	9.0%	9.0%	8.0%
Healthcare cost trend rate—prescription drug	13.0%	12.0%	12.0%
Long-term healthcare cost trend rate	5.0%	5.0%	5.0%

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A one percent annual change in the assumed healthcare cost trend rate (including medical, prescription drug and long-term rates) would have the following effect:

	One-Percentage Point	
	Increase	Decrease
Effect on total service and interest cost components	\$ 585	\$ (494)
Effect on post-retirement benefit obligation	\$ 6,067	\$ (5,173)

9. Non-recurring Transactions

Fiscal 2001 Charge

The Company concluded its review of manufacturing, service, and support functions during the fourth quarter of fiscal 2001. Those efforts were used to identify opportunities for efficiency and productivity improvements beyond those initiated during the fourth quarter of fiscal 2000. As a result of this review and the related plan to initiate improvements in those and other functions, a non-recurring charge of \$41,476 (\$28,204 net of tax, or \$0.41 per diluted share) was recorded. This charge primarily related to plans for manufacturing consolidations, up-grading of the Company's service, sales, and distribution organizations, and associated workforce reductions. The implementation of these actions began in the fourth quarter of fiscal 2001 and resulted in a reduction of approximately 335 employees in the manufacturing and support functions by the end of the fourth quarter of fiscal 2002. Of the \$41,476 charge, \$21,510 was charged to cost of products sold and \$19,966 was charged to selling, general, and administrative expenses in the consolidated statement of income.

The charge to cost of products sold included \$10,923 for inventory write-downs and asset disposals relating to the restructuring of the Company's production, distribution, service, and sales activities. The charge to cost of products sold also included \$10,587 for the consolidation of manufacturing operations. The Company's production operations in Medina, Ohio were consolidated into the Company's Montgomery, Alabama facility in August 2001. The Company's two St. Louis, Missouri manufacturing facilities were consolidated into one facility in March 2002. The consolidation costs primarily included severance and property abandonment costs.

The charge to selling, general, and administrative expenses included \$10,163 to write-off goodwill related to purchased product lines that the Company discontinued. The remaining \$9,803 was composed of severance and asset write-offs related to portions of the sales, service, and distribution organizations.

Reductions to the restructuring reserves during fiscal 2002 related primarily to employee severance payments and asset disposals. The restructuring reserves were relieved of approximately \$1,000 in the third quarter of fiscal 2002 as the final property disposal costs from the Medina, Ohio facility were less than originally anticipated. This adjustment was recorded as a reduction of costs of products sold on the accompanying consolidated statement of income. The restructuring reserves were increased by approximately \$2,600 during the fourth quarter of fiscal 2002 for additional severance costs. The charge related to this accrual was recorded in selling, general, and administrative expenses on the accompanying consolidated statement of income. The Company has substantially completed all aspects of the operational changes related to the fiscal 2001 non-recurring charge. Restructuring reserves of \$4,223 and \$12,774 remained as of March 31, 2002 and 2001, respectively, primarily related to severance obligations.

Fiscal 2000 Charge

The Company performed a review of certain manufacturing and support functions during the fourth quarter of fiscal 2000. The review of manufacturing operations included an outside consultant's study and evaluation of

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

manufacturing practices at several manufacturing plants. As a result of the review and study performed and the related plan to initiate improvements in these and other functions, a non-recurring charge of \$39,722 (\$24,628 net of tax, or \$0.36 per diluted share) was recorded in the fourth quarter. This charge primarily related to plans for manufacturing consolidations, productivity improvements in both manufacturing and support functions, restructuring of the remanufactured equipment business, and associated workforce reductions. The implementation of these actions resulted in a reduction of approximately 200 employees in the manufacturing and support functions beginning in early fiscal 2001. Of the \$39,722 charge, \$24,808 was charged to cost of products sold and \$14,914 was charged to selling, general, and administrative expenses in the consolidated statement of income.

The charge to cost of products sold included \$19,349 for inventory write-downs and disposals relating to the restructuring of the Company's remanufactured equipment business as well as improvements to production flows and facility restructurings to align with revised strategic plans. The charge to cost of products sold also included \$5,459 for closing the Company's sterility assurance production operations in North Carolina, which were consolidated into a dedicated facility in Mentor, Ohio. Costs to close the facility included write-downs in inventory, lease termination costs, severance, property abandonment, and other miscellaneous costs. The Company completed the consolidation in fiscal 2001.

The charge to selling, general, and administrative expenses included \$10,374 related to plans for implementing specific improvements to manufacturing and administrative support functions, primarily related to severance costs. The remaining \$4,540 of charges related to accounts receivable management initiatives including implementation of a new program to enhance the collection of receivables and the write-off of certain aged smaller balance accounts.

The Company has completed all aspects of the operational changes related to the fiscal 2000 non-recurring charge. An accrual of \$825 remained as of March 31, 2001. The remaining reserve related to final settlement of certain lease obligations associated with the charge as well as remaining severance obligations. During fiscal 2002, \$411 of lease and severance payments were recorded as reductions to the accrual. The remaining balance as of March 31, 2002 was \$414, which represented remaining lease and severance payments.

10. Commitments and Contingencies

There are various pending lawsuits and claims arising out of the conduct of STERIS's business. In the opinion of management, the ultimate outcome of these lawsuits and claims will not have a material adverse effect on STERIS's consolidated financial position or results of operations. STERIS presently maintains product liability insurance coverage in amounts and with deductibles that it believes are prudent.

As of March 31, 2002 and 2001, the Company was contingently liable in the amount of \$29,768 and \$29,518, respectively, under standby letters of credit and guarantees. Approximately \$11,330 and \$11,743, respectively, of the totals at March 31, 2002 and 2001 relate to letters of credit required as security under the Company's self-insured risk retention policies. The remaining balance in each year relates to performance bonds on long-term contracts.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

11. Business Segment Information

The Company operates in a single business segment. The following is information about the Company's operations by geographic area:

	Years Ended March 31,		
	2002	2001	2000
Net revenues			
United States	\$ 733,560	\$ 675,347	\$ 633,295
Non-United States	133,137	124,740	127,331
Total net revenues	\$ 866,697	\$ 800,087	\$ 760,626
Long-lived assets			
United States	\$ 310,778	\$ 295,245	\$ 289,091
Non-United States	23,328	21,612	21,025
Total long-lived assets	\$ 334,106	\$ 316,857	\$ 310,116

Long-lived assets are those assets that are identified with the operations in each geographic area including property, plant, and equipment and other assets. Net revenues are based on the location of these operations and their customers. During the year ended March 31, 2002, revenues from a single customer did not aggregate to one and one half percent or more of total net revenues. Net revenues by principal market are as follows:

	Years Ended March 31,		
	2002	2001	2000
Healthcare	\$ 607,638	\$ 566,567	\$ 557,686
Scientific and Industrial	259,059	233,520	202,940
Total net revenues	\$ 866,697	\$ 800,087	\$ 760,626

12. Common Shares

Basic earnings per share is based on weighted average Common Shares outstanding. Diluted earnings per share is based on the weighted average Common Shares plus the dilutive effect of common stock options calculated using the treasury stock method. The following is a summary of Common Shares and Common Share equivalents outstanding used in the calculations of earnings per share:

	Years Ended March 31,		
	2002	2001	2000
		(in thousands)	
Weighted average Common Shares outstanding—basic	69,163	67,946	67,489
Dilutive effect of common stock options	1,444	1,035	1,078
Weighted average Common Shares and equivalents—diluted	70,607	68,981	68,567

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Options to purchase the following number of shares at the following weighted average exercise prices were outstanding but excluded from the computation of diluted earnings per share because the exercise prices were greater than the average market price for the common shares during the period:

	Years Ended March 31,		
	2002	2001	2000
Number of common stock options	1,087,545	1,618,657	3,312,595
Weighted average exercise price	\$ 27.28	\$ 25.15	\$ 20.38

The Company has granted nonqualified stock options to certain employees to purchase the Company's Common Shares at the market price on the date of grant. Stock options granted become exercisable to the extent of one-fourth of the optioned shares for each full year of employment following the date of grant and expire 10 years after the date of grant, or earlier if an option holder ceases to be employed by the Company. The Company accounts for stock based compensation under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," and accordingly recognizes no compensation expense when the exercise price equals the market price of the stock on the date of grant.

Following is a summary of option share information:

	Shares	Weighted Average Price	Fair Value
March 31, 1999	6,573,104	\$ 13.07	
Granted	1,494,920	11.49	\$ 6.17
Exercised	(1,010,273)	4.21	
Canceled	(443,403)	25.15	
March 31, 2000	6,614,348	13.25	
Granted	1,476,200	9.27	4.34
Exercised	(1,223,487)	4.21	
Canceled	(664,398)	18.06	
March 31, 2001	6,202,663	13.58	
Granted	1,340,640	14.61	6.46
Exercised	(785,745)	8.21	
Canceled	(528,161)	16.52	
March 31, 2002	6,229,397	14.22	

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Shares available for future grants were 2,894,182 at March 31, 2002. At March 31, 2002, the range and weighted average per share exercise prices of options outstanding and exercisable, and the weighted average remaining contract life, were as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Option Shares	Weighted Average Exercise Price	Weighted Average Contract Life (Years)	Option Shares	Weighted Average Exercise Price
\$ 3.81—\$ 9.00	1,602,959	\$ 7.74	6.1	780,994	\$ 6.42
\$ 9.01—\$13.45	2,787,363	12.09	6.8	1,397,716	11.90
\$13.46—\$18.25	369,280	15.61	7.2	190,905	14.50
\$18.26—\$30.66	1,469,795	24.98	6.0	1,261,720	24.46
	6,229,397	14.22	6.5	3,631,335	15.22

At March 31, 2001, options with an average exercise price of \$14.08 were exercisable on 3,564,734 shares; at March 31, 2000, options with a weighted average exercise price of \$10.85 were exercisable on 3,978,843 shares.

Had the compensation cost for the stock options granted in fiscal 2002, 2001, and 2000 been determined based on the value at the grant date consistent with the fair value method, the Company's net income and earnings per share would have been reduced as indicated below:

	Years Ended March 31,		
	2002	2001	2000
Net income (loss):			
As reported	\$ 46,202	\$ 1,317	\$ 10,485
Pro forma	\$ 41,224	\$ (4,755)	\$ 5,856
Earnings (loss) per share:			
Basic:			
As reported	\$ 0.67	\$ 0.02	\$ 0.16
Pro forma	\$ 0.60	\$ (0.07)	\$ 0.09
Diluted:			
As reported	\$ 0.65	\$ 0.02	\$ 0.15
Pro forma	\$ 0.58	\$ (0.07)	\$ 0.08

Fair value was estimated at the date of grant using the Black-Scholes option pricing model and the following weighted-average assumptions for the years ended March 31, 2002, 2001, and 2000: risk-free interest rate of 3.75% to 6.1%; dividend yield of 0%; expected volatility of 45%; and an expected option life of 5 years.

A former executive officer of the Company had an outstanding balance on a loan originally made during fiscal year 1997 in connection with the exercise of 373,000 options by the officer. The loan was evidenced by a full recourse promissory note, which had a stated interest rate of 5.7% per annum, and was repayable in a lump sum on or before February 28, 2002. The officer subsequently entered into an employment agreement with the Company that provided, among other things, that if the officer observed all obligations thereunder through February 28, 2002, the loan and all accrued interest thereon would be forgiven by the Company. As of March 31, 2001, the note value was fully reserved. In addition, the employment agreement provided that, upon the request of the officer, made at any time between July 21, 2001 and February 28, 2002, the Company would

STERIS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

repurchase from the officer at a purchase price of \$15.00 per share in cash, up to 600,000 of the Company's Common Shares that were owned by the officer on June 19, 2000. During fiscal 2002, the obligations under the employment agreement were satisfied, the loan was forgiven, and the put option held by the former executive expired.

Under a Shareholder Rights Agreement, one Common Share Purchase Right ("Right") is attached to each outstanding Common Share. Each Right is exercisable only if a person or group acquires 15% or more of the outstanding Common Shares. If the Rights become exercisable, each Right will entitle the holder (other than the acquiring person or group) to acquire one Common Share for an exercise price of \$.50 per share. The Rights will expire on November 7, 2006, unless redeemed earlier at one half cent per Right.

13. Business Combinations

During the third quarter of fiscal 2002, the Company completed the acquisition, for cash, of American Table Manufacturing, Inc., a surgical table manufacturer. The acquisition was accounted for as a purchase transaction and resulted in goodwill that will not be amortized in accordance with the requirements of SFAS 142. The acquisition did not have a material effect on the operations of the Company.

During the second quarter of fiscal 2000, the Company completed two acquisitions to extend the capabilities of STERIS's Scientific and Industrial Group. The assets of Quality Sterilization Services, a contract sterilization business located near Minneapolis, Minnesota, were acquired for cash to expand STERIS's network of contract sterilization and microbial reduction services in North America. FoodLabs, Inc., based in Manhattan, Kansas, was acquired utilizing a stock transaction. The acquisitions were accounted for as purchase transactions and did not have a material effect on the operations of the Company.

14. Quarterly Data (Unaudited)

	Quarters Ended			
	March 31	December 31	September 30	June 30
Fiscal 2002				
Net revenues	\$ 244,593	\$ 218,637	\$ 206,393	\$ 197,074
Gross profit	100,469	88,845	84,674	81,213
Percentage of revenues	41%	41%	41%	41%
Net income	\$ 18,597	\$ 14,003	\$ 9,219	\$ 4,383
Net income per share—basic(1)	\$ 0.27	\$ 0.20	\$ 0.13	\$ 0.06
Net income per share—diluted	\$ 0.26	\$ 0.20	\$ 0.13	\$ 0.06
Fiscal 2001				
Net revenues	\$ 218,631	\$ 204,465	\$ 193,178	\$ 183,813
Gross profit	70,097	86,160	81,216	73,985
Percentage of revenues	32%	42%	42%	40%
Net (loss) income	\$ (16,626)	\$ 10,391	\$ 6,724	\$ 828
Net (loss) income per share—basic	\$ (0.24)	\$ 0.15	\$ 0.10	\$ 0.01
Net (loss) income per share—diluted	\$ (0.24)	\$ 0.15	\$ 0.10	\$ 0.01

Refer to Note 9—Non-recurring Transactions regarding fourth quarter fiscal 2001 charges.

(1) The net income per share for the quarters does not equal net income per share for the year due to differentials in the impact of quarterly and annual weighted new stock issuances on the weighted average number of Common Shares outstanding for each respective period.

STERIS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F
Description	Balance at Beginning of Period	Charges to Costs and Expenses	Additions Charges to Other Accounts	Deductions(1)	Balance at End of Period
Year ended March 31, 2002					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 9,006	\$ 1,030	\$ —	\$ 2,005	\$ 8,031
Year ended March 31, 2001					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 11,121	\$ 395	\$ —	\$ 2,510	\$ 9,006
Year ended March 31, 2000					
Deducted from asset accounts:					
Allowance for trade accounts receivable(2)	\$ 13,322	\$ 973	\$ —	\$ 3,174	\$ 11,121

- (1) Uncollectible accounts written off, net of recoveries.
(2) Net allowance for doubtful accounts and allowance for sales and returns.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The Company incorporates herein by reference the information appearing under the captions “Board of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 20, 2002.

Executive officers of the Company serve for a term of one year from the date of election to the next organizational meeting of the Board of Directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. Information concerning executive officers of the Company is contained in Part I of this report under the caption “Executive Officers of the Registrant.”

Item 11. *Executive Compensation*

The Company incorporates herein by reference the information appearing under the caption “Compensation of Executive Officers” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 20, 2002.

Item 12. *Security Ownership of Certain Beneficial Owners and Management*

The Company incorporates herein by reference the information appearing under the caption “Ownership of Voting Securities” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 20, 2002.

Item 13. *Certain Relationships and Related Transactions*

The Company incorporates herein by reference the information appearing under the caption “Compensation of Executive Officers” of the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission on or about June 20, 2002.

PART IV

Item 14. Exhibits, Financial Statement Schedule, and Reports on Form 8-K

**LIST OF CONSOLIDATED FINANCIAL STATEMENTS AND
FINANCIAL STATEMENT SCHEDULE**

(a) (1) The following consolidated financial statements of STERIS Corporation and subsidiaries are included in Item 8:

- Consolidated Balance Sheets—March 31, 2002 and 2001.
- Consolidated Statements of Income—Years ended March 31, 2002, 2001, and 2000.
- Consolidated Statements of Cash Flows—Years ended March 31, 2002, 2001, and 2000.
- Consolidated Statements of Shareholders' Equity—Years ended March 31, 2002, 2001, and 2000.
- Notes to Consolidated Financial Statements—Years Ended March 31, 2002 and 2001.

(a) (2) The following financial statement schedule of STERIS Corporation and subsidiaries is included in Item 8:

- Schedule II—Valuation and Qualifying Accounts

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) (3) *Exhibits*

<u>Exhibit Number</u>	<u>Exhibit Description</u>
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, and incorporated herein by reference).
3.2	1992 Amended Regulations of STERIS Corporation (filed as Exhibit 3.2 to Form 10-K filed for the fiscal year ended March 31, 1998, and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate.
4.2	Amended and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.2 to the Registration Statement on Form 8-A filed April 16, 1999, and incorporated herein by reference).
4.3	Amendment No. 1, dated June 7, 2002, to Amend and Restated Rights Agreement, dated as of January 21, 1999, between STERIS Corporation and National City Bank, as successor Rights Agent (filed as Exhibit 4.1 to the Registration Statement on Form 8-A/A filed June 10, 2002, and incorporated herein by reference).
10.1	Amended Non-Qualified Stock Option Plan (filed as Exhibit 10.4 to Amendment No. 1 to the Registration Statement on Form S-1 filed April 23, 1992, and incorporated herein by reference).*
10.2	STERIS Corporation 1994 Equity Compensation Plan (filed as Exhibit 99 to the Registration Statement on Form S-8 filed April 21, 1995, and incorporated herein by reference).*
10.3	STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan.*
10.4	Amsco International, Inc. Stock Option Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement of Amsco International, Inc. on Form S-8, Registration No. 33-79566, filed on June 2, 1994).*

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<u>Exhibit Number</u>	<u>Exhibit Description</u>
10.5	STERIS Corporation 1997 Stock Option Plan (filed as Exhibit 10.14 to Form 10-K filed for the fiscal year ended March 31, 1998, and incorporated herein by reference).*
10.6	STERIS Corporation 1998 Long-Term Incentive Stock Plan (filed as Exhibit 10.8 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.7	Management Incentive Compensation Plan Fiscal Year 2003.*
10.8	Senior Executive Management Incentive Compensation Plan (filed as Exhibit 10.11 to Form 10-K for the fiscal year ended March 31, 1999, and incorporated herein by reference).*
10.9	Change of Control Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.18 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.10	Form of Change of Control Agreement between STERIS Corporation and the executive officers of STERIS Corporation other than Mr. Vinney (filed as Exhibit 10.2 to Form 10-Q filed for the quarter ended June 30, 1999, and incorporated herein by reference).*
10.11	Employment Agreement between STERIS Corporation and Mr. Vinney (filed as Exhibit 10.21 to Form 10-K filed for the fiscal year ended March 31, 2000, and incorporated herein by reference).*
10.12	Credit Agreement, dated March 28, 2002, among STERIS Corporation, various financial institutions, and KeyBank National Association, as Agent (first effective in fiscal year 2002).*
21.1	Subsidiaries of STERIS Corporation.
23.1	Consent of Independent Auditors.
24.1	Power of Attorney.

* A management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K for the fiscal year ended March 31, 2002.

STERIS or its subsidiaries are parties to several indentures relating to long-term debt instruments, which, individually or in the aggregate, do not exceed 10% of the total assets of STERIS and its subsidiaries on a consolidated basis. STERIS will furnish a copy of any such indenture to the Securities and Exchange Commission upon request.

(b) *Reports on Form 8-K*

No Current Reports on Form 8-K were filed by STERIS during the fourth quarter of fiscal 2002. After the end of the fourth quarter of fiscal 2002, STERIS filed a Current Report on Form 8-K attaching Amendment No. 1 (the "Amendment"), dated June 7, 2002, to the Amended and Restated Rights Agreement, dated January 21, 1999, between the Company and National City Bank (successor to Harris Trust and Savings Bank), as rights agent (the "Rights Agreement"). The Amendment provides, among other things, that if the Directors of the Company determine that a person or group that would otherwise become an "Acquiring Person" (as defined by the Rights Agreement) has become such inadvertently, and such person divests as promptly as possible a sufficient number of shares so that the person would no longer be an "Acquiring Person," then such person shall not be deemed to be an Acquiring Person for any purposes of the Rights Agreement.

(c) *Exhibits*

The response to this portion of Item 14 is included under (a) (3) of this Item 14.

(d) *Financial Statement Schedules*

Not applicable.

SIGNATURES

Pursuant to the requirements of Sections 13 or 15(d) 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, on the date indicated.

STERIS CORPORATION
(Registrant)

By: /s/ LAURIE BRLAS

Laurie Brlas
Senior Vice President and
Chief Financial Officer

June 20, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

LES C. VINNEY, President and Chief Executive Officer, and Director; LAURIE BRLAS, Senior Vice President and Chief Financial Officer; JERRY E. ROBERTSON, Chairman of the Board of Directors; STEPHEN R. HARDIS, Director; RAYMOND A. LANCASTER, Director; KEVIN M. MCMULLEN, Director; J.B. RICHEY, Director; JOHN P. WAREHAM, Director, and LOYAL W. WILSON, Director.

STERIS CORPORATION
(Registrant)

By: /s/ MARK D. MCGINLEY

Mark D. McGinley
Attorney-in-Fact

June 20, 2002

COMMON STOCK

STERIS®

COMMON STOCK



THIS CERTIFICATE IS TRANSFERABLE IN THE CITIES OF CLEVELAND, OH OR NEW YORK, NY



INCORPORATED UNDER THE LAWS OF THE STATE OF OHIO

CUSIP 859152 10 0
SEE REVERSE FOR CERTAIN DEFINITIONS

STERIS CORPORATION

This Certifies that

[Redacted area for certificate details]

is the record holder of

FULLY PAID AND NON-ASSESSABLE COMMON SHARES, WITHOUT PAR VALUE, OF

STERIS Corporation transferable on the books of the Corporation by the holder hereof in person or by duly authorized attorney upon surrender of this certificate properly endorsed. This certificate is not valid until countersigned by the Transfer Agent of the Corporation and registered by the Registrar.

Witness the facsimile signatures of the duly authorized officers of the Corporation.

Dated:

W. J. [Signature]
TREASURER
A. C. [Signature]
PRESIDENT

Countersigned and Registered:
NATIONAL CITY BANK
(Cleveland, OH)
Transfer Agent and Registrar.

By

Authorized Signature.



STERIS CORPORATION

As required by Ohio law, the Corporation will mail to the record holder of this certificate, without charge, within five (5) days after receipt of written request therefor addressed to the Secretary of the Corporation at its principal place of business, a copy of the express terms of the shares represented by this certificate and of all other classes and series of shares which the Corporation is authorized to issue.

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM	- as tenants in common	UNIF GIFT MIN ACT-	_____Custodian_____
TEN ENT	- as tenants by the entireties		(Cust) (Minor)
JT TEN	- as joint tenants with right of survivorship and not as tenants in common		under Uniform Gifts to Minors Act

			(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, _____ HEREBY SELL, ASSIGN AND TRANSFER UNTO

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

_____ OF THE SHARES REPRESENTED BY THE WITHIN CERTIFICATE AND DO HEREBY IRREVOCABLY CONSTITUTE AND APPOINT _____ ATTORNEY TO TRANSFER THE SAID SHARES ON THE BOOKS OF THE WITHIN-NAMED CORPORATION WITH FULL POWER OF SUBSTITUTION IN THE PREMISES.

DATED _____ 20____

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE CERTIFICATE IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT, OR ANY CHANGE WHATSOEVER.

Signature(s) Guaranteed:

THE SIGNATURE(S) SHOULD BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM), PURSUANT TO S.E.C. RULE 17Ad-15.

THIS CERTIFICATE ALSO EVIDENCES AND ENTITLES THE HOLDER HEREOF TO CERTAIN RIGHTS AS SET FORTH IN A RIGHTS AGREEMENT, ORIGINALLY DATED AS OF OCTOBER 24, 1996, BETWEEN STERIS CORPORATION AND NATIONAL CITY BANK, AS SUCCESSOR RIGHTS AGENT, AS AMENDED (THE "RIGHTS AGREEMENT"), A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF STERIS CORPORATION. UNDER CERTAIN CIRCUMSTANCES, AS SET FORTH IN THE RIGHTS AGREEMENT, SUCH RIGHTS WILL BE EVIDENCED BY SEPARATE CERTIFICATES AND WILL NO LONGER BE EVIDENCED BY THIS CERTIFICATE. STERIS CORPORATION WILL MAIL TO THE HOLDER OF THIS CERTIFICATE A COPY OF THE RIGHTS AGREEMENT (AS IN EFFECT ON THE DATE OF MAILING) WITHOUT CHARGE PROMPTLY AFTER RECEIPT OF A WRITTEN REQUEST THEREFOR. UNDER CERTAIN CIRCUMSTANCES, RIGHTS THAT ARE OR WERE BENEFICIALLY OWNED BY ACQUIRING PERSONS OR THEIR AFFILIATES OR ASSOCIATES (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID.

STERIS CORPORATION
1994 Nonemployee Directors
Equity Compensation Plan

1. Purpose. The STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan is intended to promote the interests of STERIS Corporation and its shareholders by providing for the use of Restricted Shares of the Company to pay part of the annual retainers paid to nonemployee Directors and by granting Stock Options to nonemployee Directors in order to further align the interests of nonemployee Directors more closely with the interests of other shareholders of the Company, to provide a financial incentive that will help attract and retain the most qualified nonemployee Directors for the Company, and to encourage nonemployee Directors to hold proprietary interests in the Company. Capitalized terms used in this Plan have the meanings ascribed to them in Section 20, the last section hereof.

2. Administration. The Plan shall be administered by the Committee. However, the Committee shall have no authority, discretion or power, subject to the terms of the Plan, (a) to determine whether a particular Director shall be granted Restricted Shares or Stock Options under the Plan, the type, size, and terms of Restricted Shares or Stock Options to be granted to any Director, the time or times at which Restricted Shares and Stock Options shall be exercisable or at which restrictions, conditions, and contingencies shall lapse, or the terms and provisions of the Instruments by which Restricted Shares and Stock Options shall be evidenced, or (b) to alter any other restrictions, conditions, and contingencies specified in the Plan, except in the sense of administering the Plan. Subject to the foregoing limitations, the Committee, is authorized to interpret the Plan, to prescribe, amend, and rescind rules and regulations relating to the Plan, and to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company and make all other determinations necessary or advisable for the administration of the Plan. The construction and interpretation by the Committee of any provision of the Plan or any Instrument delivered pursuant to the Plan and any determination by the Committee pursuant to any provision of the Plan or any Instrument shall be final and conclusive. No member or alternate member of the Committee shall be liable for any such action or determination made in good faith. The Committee may act only by a majority of its members. Any determination of the Committee may be made, without a meeting, by a writing or writings signed by all of the members of the Committee. In addition, the Committee may authorize any one or more of their number or any officer of the Company to execute and deliver documents on behalf of the Committee and the Committee may delegate to one or more employees, agents, or officers of the Company, or to one or more third party consultants, accountants, lawyers, or other advisors, such ministerial duties related to the operation of the Plan as it may deem appropriate.

3. Eligibility. No Director who is also employed by the Company shall participate in the Plan. Each Director who is not employed by the Company shall qualify as a Participant and shall be eligible to receive Restricted Stock and grants of Stock Options on the terms and conditions set forth in the Plan. Each Participant shall, if required by the Company, enter into an agreement or other Instrument with the Company, the form of such agreement or Instrument to be determined by the Company and which is consistent with the provisions of the Plan. In the event of any inconsistency between the provisions of the Plan and any such Instrument entered into hereunder, the provisions of the Plan shall govern.

4. Stock Subject to the Plan. The aggregate number of Common Shares of the Company that may be issued and distributed to Participants in connection with Restricted Shares and Stock Options granted under the Plan shall be 100,000 Common Shares which may be authorized and unissued Common Shares, treasury Common Shares, or Common Shares acquired on the open market specifically for distribution under the Plan, as the Board of Directors may from time to time determine. The number of Common Shares remaining available for additional grants of Restricted Stock or Stock Options under the Plan at any particular time shall be reduced, upon the granting thereafter of any Restricted Stock or Stock Option under the Plan, by the full

number of Common Shares of Restricted Stock or by the full number of Common Shares subject to the Stock Option. If any Restricted Stock is forfeited for any reason or if any Stock Option for any reason expires or is terminated, in whole or in part, without the receipt by a Participant of Common Shares, the Restricted Shares so forfeited or the Common Shares subject to that part of the Stock Option that has so expired or terminated, as the case may be, shall again be available for the future grant of Restricted Shares or Stock Options under the Plan.

5. Restricted Shares as Partial Payment of Annual Retainer.

5.1 Automatic Grant of Restricted Shares. The annual retainer payable to each nonemployee Director for services during an Annual Term shall be paid (a), as to the first \$7,000 of the annual retainer, by an automatic grant Restricted Shares (valued as provided in Section 5.2) and (b), as to the remainder of the annual retainer, in cash. The first automatic grants of Restricted Shares under the Plan shall be made with respect to the Annual Term commencing with the 1994 Annual Meeting. Subsequent automatic grants of Restricted Shares under the Plan shall be made with respect to each succeeding Annual Term so long as the Plan remains in effect.

5.2 Date of Grant, Number of Shares. The automatic grant of Restricted Shares for any Annual Term shall be made on the last business day of the month during which the Annual Meeting coinciding with the beginning of that Annual Term is held. The total number of Restricted Shares so granted shall be determined by dividing the dollar amount of that portion of the retainer to be paid in Restricted Shares by the average of the per share closing price of Common Shares for the period of 10 consecutive trading days, the fifth of which is the trading day coinciding with the date of the Annual Meeting, and rounding the quotient so determined down to the next whole number of Restricted Shares. No fractional shares shall be issued under the Plan. In lieu of issuing a fractional share to any Participant, the Company shall pay the Participant cash equal to the value of the fractional share not issued.

5.3 Restrictions: Six Month Minimum Holding Period, Periodic Vesting, Forfeiture.

(a) A Participant may not sell, transfer, otherwise dispose of, or pledge or otherwise hypothecate Restricted Shares until (i) at least six months have passed following the grant of those Restricted Shares and (ii) the Participant's rights in the Restricted Shares have vested in accordance with Section 5.3(b).

(b) A Participant's rights in Restricted Shares granted with respect to any Annual Term shall vest in increments as follows, provided the Participant remains as a Director through the periods indicated: 2/7th of those Restricted Shares shall vest on the last day of the sixth Full Calendar Month during the Annual Term and an additional 1/7 of those Restricted Shares shall vest on the last day of each of the seventh through eleventh Full Calendar Months during the Annual Term, except that if any Annual Term includes fewer than eleven Full Calendar Months, any Restricted Shares granted to a Participant who remains as a Director through the last day of that Annual Term that have not previously vested on the foregoing schedule shall vest on that last day.

(c) Except as otherwise provided in Section 7, if a Participant ceases to be a Director before all Restricted Shares granted to the Participant with respect to any Annual Term have vested, any such Restricted Shares that have not vested shall be forfeited.

6. Stock Options.

6.1 Automatic Annual Grant. On the last business day of the month during which any Annual Meeting is held, each Participant shall be granted, as additional consideration for services to be rendered by the Participant during the Annual Term commencing with that Annual Meeting, a Stock Option with respect to 2,500 Common Shares.

6.2 Time of and Conditions on Exercise. A Stock Option granted under the Plan may be exercised not earlier than six months nor later than ten years after the date of grant of the Stock Option. Stock Options may be exercised only during the continuance of a Participant's service as

a Director or within three months of termination of such service, except as provided in Section 7. During a Participant's lifetime, only the Participant (or in the case of incapacity of a Participant, the Participant's attorney in fact or legal guardian) may exercise a Stock Option. A Participant may exercise a Stock Option from time to time, in whole or in part, up to the total number of Common Shares with respect to which the Stock Option is then exercisable, except that no fraction of a Common Share may be purchased upon the exercise of any Stock Option.

6.3 Exercise. A Participant electing to exercise a Stock Option shall deliver to the Company (a) the Exercise Price payable in accordance with Section 6.4 and (b) written notice of the election that states the number of whole Common Shares with respect to which the Participant is exercising the Stock Option.

6.4 Payment For Common Shares. Upon exercise of a Stock Option by a Participant, the Exercise Price shall be payable by the Participant, at the election of the Participant, in cash, by delivery by the Participant (with the written notice of election to exercise) of irrevocable instructions to a broker registered under the 1934 Act to promptly deliver to the Company the amount of sale or loan proceeds to pay the Exercise Price, or by such combination of cash and such instructions as the Participant may elect.

6.5 Nontransferability. Stock Options may not be sold, assigned, pledged, hypothecated, transferred, or otherwise disposed of during the lifetime of the Participant, either voluntarily or involuntarily, other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined in Section 414(p)(1)(B) of the Internal Revenue Code of 1986, as amended, that satisfies the requirements of Section 414(p)(1)(A) of the Internal Revenue Code of 1986, as amended. A Participant granted a Stock Option shall have no rights as a shareholder with respect to any shares covered by the Stock Option until the date the share certificate is issued evidencing ownership of such shares.

7. Death of a Participant. Upon the death of a Participant while the Participant is serving as a Director, the Participant's executor or administrator or the person or persons to whom the Participant's rights under a Stock Option are transferred by will or the laws of descent and distribution shall have the right to exercise, from time to time during the period ending one year after the date of the Participant's death, but not later than the relevant Expiration Date, any Stock Options that were outstanding on the date of the Participant's death, if and to the same extent as those Stock Options were exercisable by the Participant on the date of the Participant's death.

8. Adjustment Upon Changes in Common Shares. In the event of any stock dividend, stock split, or share combination of the Common Shares or any reclassification, recapitalization, merger, consolidation, other form of business combination, liquidation, or dissolution involving the Company or any spin-off or other distribution to shareholders of the Company (other than normal cash dividends), (a) the Committee shall make appropriate adjustments to the maximum number of Common Shares that may be issued under the Plan pursuant to Section 4, and (b) the Committee shall adjust the number and kind of shares subject to, the price per share under, and the terms and conditions of each then outstanding Stock Option to the extent necessary and in such manner that the benefits of Participants under all then outstanding Stock Options shall be maintained substantially as before the occurrence of such event. Any adjustment so made by the Committee shall be conclusive and binding for all purposes of the Plan as of such date as the Committee may determine.

9. Purchase for Investment. Each Participant acquiring Common Shares pursuant to a Stock Option may be required by the Company to furnish a representation that he or she is acquiring the Common Shares so acquired as an investment and not with a view to distribution thereof if the Company, in its sole discretion, determines that such representation is required to insure that a resale or other disposition of the Common Shares would not involve a violation of the Securities Act of 1933, as amended, or of applicable blue sky laws. Any investment representation so furnished shall no longer be applicable at any such time such representation is no longer necessary for such purposes.

10. Holding Periods. No Participant shall sell or exercise, as the case may be, any equity security or derivative security, in each case as defined in the 1934 Act or the rules and regulations promulgated thereunder, acquired pursuant to Restricted Shares or Stock Options granted under the Plan, before the earliest date on which the sale or exercise is eligible for the Rule 16b-3 Exemption. If any provision of the Plan (including, without limitation, this Section 10) must be modified or becomes unnecessary to comply with the requirements of Rule 16b-3, the Committee may waive such provision and/or amend the Plan to add to or modify the provisions hereof accordingly.

11. Legal Requirements. No Restricted Shares or Stock Options shall be granted and the Company shall have no obligation to make any payment under the Plan, whether in Common Shares, cash, or any combination thereof, except in compliance with all applicable Federal and state laws and regulations, including, without limitation, the Internal Revenue Code of 1986, as amended, and Federal and state securities laws.

12. Duration and Termination of the Plan. The Plan shall become effective and shall be deemed to have been adopted on the date on which it is approved by the shareholders of the Company and shall remain in effect thereafter until terminated by action of the Board of Directors. No termination of the Plan shall adversely affect the rights of any Participant with respect to any Restricted Shares or Stock Options granted before the effective date of the termination.

13. Amendments. The Board of Directors, or a duly authorized committee thereof, may alter or amend the Plan prior to its termination in any manner the Board of Directors, or such duly authorized committee, may deem to be in the best interests of the Company and its shareholders, except that (a) the Plan may not be so altered or amended more frequently than once every six months, and (b) no amendment may be made without shareholder approval if shareholder approval is required under Rule 16b-3 to qualify for the Rule 16b-3 Exemption, is required by any applicable securities law or tax law, or is required by the rules of the registered national securities association through whose inter-dealer quotation system the Common Shares are quoted.

14. Plan Noncontractual. Nothing herein contained shall be construed as a commitment to or agreement with any Participant serving as a Director to continue such person's service as a Director, and nothing herein contained shall be construed as a commitment or agreement on the part of the Company to continue the annual rate of retainer of any such person for any period. All Participants shall remain subject to termination to the same extent as if the Plan had never been put into effect.

15. Interest of Participants. Any obligation of the Company under the Plan to make any payment at any future date merely constitutes the unsecured promise of the Company to make such payment from its general assets in accordance with the Plan, and no Participant shall have any interest in, or lien or prior claim upon, any property of the Company by reason of that obligation.

16. Claims of Other Persons. The provisions of the Plan shall in no event be construed as giving any person, firm, or corporation any legal or equitable right against the Company, its officers, employees, agents, or directors, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

17. Absence of Liability. No Director, member of the Committee or of any other committee of the Board of Directors, or any officer or employee of the Company shall be liable for any act or action under the Plan, whether of commission or omission, taken by any other member, or by any officer, agent, or employee, or, except in circumstances involving his bad faith or willful misconduct, for anything done or omitted to be done by himself or herself.

18. Severability. The invalidity or unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provision were omitted herefrom.
19. Governing Law. The provisions of the Plan shall be governed and construed in accordance with the laws of the State of Ohio.
20. Definitions.
- 20.1 1934 Act. The term “1934 Act” shall mean the Securities Exchange Act of 1934, as amended.
- 20.2 Annual Meeting. The term “Annual Meeting” shall mean an Annual Meeting of Shareholders of the Company.
- 20.3 Annual Term. The term “Annual Term” shall mean the period commencing at the time of election of Directors at one Annual Meeting and continuing until the time of election of Directors at the immediately succeeding Annual Meeting.
- 20.4 Committee. The term “Committee” shall mean a committee appointed by the Board of Directors of the Company to administer the Plan. The Committee shall be composed of not less than two Directors. The Board of Directors may also appoint one or more directors as alternate members of the Committee. No officer or employee of the Company shall be a member or alternate member of the Committee. The Committee shall at all times be so comprised as to satisfy the disinterested administration standard contained in Rule 16b-3, if required to qualify for the Rule 16b-3 Exemption.
- 20.5 Common Shares. The term “Common Shares” shall mean common shares of the Company without par value.
- 20.6 Company. The term “Company” shall mean STERIS Corporation and its successors, including the surviving or resulting corporation of any merger of STERIS Corporation with or into, or any consolidation of STERIS Corporation with, any other corporation or corporations.
- 20.7 Director. The term “Director” shall mean an individual who has been duly elected and is serving as a member of the Company’s Board of Directors.
- 20.8 Participant. The term “Participant” shall mean any director of the Company who is neither an officer nor employee of the Company.
- 20.9 Exercise Price. The term “Exercise Price” with respect to any Stock Option shall mean the per share closing price of Common Shares on the date of the grant of that Stock Option.
- 20.10 Expiration Date. The term “Expiration Date” with respect to any Stock Option shall mean the tenth anniversary of the date of grant of the Stock Option.
- 20.11 Full Calendar Month. The term “Full Calendar Month” shall mean any month-long period beginning on the first day and ending on the last day of a calendar month.
- 20.12 Instrument. The term “Instrument” shall mean a written instrument evidencing a grant of Restricted Shares or of a Stock Option in such form and with such provisions as the Committee may prescribe, including, without limitation, an agreement to be executed by the Participant and the Company, a certificate issued by the Company, or a letter executed by the Committee or its designee. Each Instrument shall provide that acceptance of the Instrument by a Participant constitutes agreement to the terms of the grant evidenced thereby.

20.13 Plan. The term “Plan” shall mean this STERIS Corporation 1994 Nonemployee Directors Equity Compensation Plan as from time to time hereafter amended in accordance with Section 15.

20.14 Restricted Shares. The term “Restricted Shares” shall mean Common Shares granted to a Participant in accordance with Section 5.

20.15 Rule 16b-3. The term “Rule 16b-3” shall mean Rule 16b-3 or any successor provision under the 1934 Act.

20.16 Rule 16b-3 Exemption. The term “Rule 16b-3 Exemption” shall mean the exemption from Section 16(b) of the 1934 Act that is available under Rule 16b-3.

20.17 Stock Option. The term “Stock Option,” shall mean a grant entitling the holder thereof to purchase a specified number of Common Shares at a specified price during a specified period of time.

STERIS Corporation
Management Incentive Compensation Plan Fiscal Year 2003
Corporate

STERIS Corporation provides incentive compensation opportunities for Employees at the Manager level and higher through the Management Incentive Compensation Plan (MICP). The incentive Plan is designed to reward achievement of Company and Group performance objectives. The Program is intended to encourage participants to focus on the achievement of individual objectives that support Company goals through teamwork, personal initiative, and efficiency.

OVERVIEW:

The MICP is an annual incentive compensation program that is reviewed, revised, and approved annually by the Board of Directors. At the beginning of the fiscal year, an incentive compensation pool is created, based on individual employee incentive targets tied to grade level and overall responsibilities. The incentive compensation pool is then evaluated against achievement of performance criteria, which for fiscal year 2003 is Revenue Growth, Earnings Before Interest & Taxes (EBIT) Margin, and Net Income (excluding one-time charges) objectives that are based upon the Annual Business Plan. The program includes parameters for a minimum payout at threshold achievement levels and maximum payout, or cap, for exceeding the performance criteria established at the beginning of the fiscal year.

Individual determination, or payout, of incentive compensation will be at management's discretion and will be based upon individual performance against MBOs established, and agreed to at the beginning of the fiscal year, and other criteria as set forth in the individual business units' performance evaluation program. In addition, payouts will be charged against the overall corporate incentive compensation pool. In no case will the sum total of individual employee incentive compensation recommendations exceed the overall corporate incentive compensation pool.

Bonus payments will be made to participants, who are active employees at the end of fiscal year and who are actively employed through the date that the MICP payments are paid out. 2002 Bonus payments will be made to the plan participants no later than 90 days after the end of the fiscal year. The following parameters have been established for FY'03 (April 1, 2002 - March 31, 2003) for your group:

Corporate Performance Criteria	Weight	Achievement Level		
		Threshold (50%)	Plan (100%)	Maximum (150%)
Revenue Growth:	33%	\$866,700,000	\$940,400,000	\$1,000,000,000
Earnings Before Interest & Tax Margin:	33%	9.3%	11.7%	14.3%
Net Income:(Excluding one-time charges)	33%	\$ 46,200,000	\$ 66,200,000	\$ 87,100,000

Note: Minimum Net Income Achievement of \$46.2 million is required before any payout may be made under the Plan.

ELIGIBILITY:

As a key member of management, you are eligible for participation in the MICP.

New hires included in the program will begin participation in the MICP during the first full month of their employment (i.e. hired on or before the 15th of a month, effective the first of that month; hired on or after the 16th of the month, effective the following month) and their participation pro-rated for their first year of participation.

At the discretion of the Compensation Committee of the STERIS Board of Directors, should an individual’s position or level change during the fiscal year, the Employee’s annual MICP calculation will be prorated for the time in each position or level. Participants will be entitled to receive a bonus payment earned under the Plan for the fiscal year if, and only if, he or she remains in the employ of the Company through the end of that fiscal year and thereafter through the date on which bonuses are paid for the fiscal year.

The Management of STERIS Corporate retains the discretion to deny payment of any bonus amount otherwise earned by a participant if, in Management’s sole discretion, there is just cause to do so. If Management exercises this discretion with respect to any participant for any year, he or she will not be entitled to receive any bonus under the MICP with respect to that year.

POOL and BONUS CALCULATION:

The following formula is utilized for calculating the Corporate Bonus Pool and individual bonus payout:

- **Pool**
 - $Sum\ of\ Employee\ Targets\ x\ (Performance\ Criteria\ Weight)\ x\ (Performance\ Criteria\ Achievement\ Level\ -\ e.g.,\ Revenue,\ EBIT\ and\ NI) = Corporate\ Bonus\ Pool$

- **Individual Employee Bonus Payout**
 - $MICP\ Target$
 - $\times\ Performance\ Achievement\ Factor\ applied\ to\ MICP\ Target\ (See\ Attached).$
 - $Individual\ Annual\ Payout$

Example: Company achieves 100% of plan for all performance criteria.

Performance Criteria Weight		x	Performance Criteria Achievement Level	=	Bonus Pool
Revenue Growth	33.33%	x	100%	=	33.33%
EBIT Margin	33.33%	x	100%	=	33.33%
Net Income	33.33%	x	100%	=	33.33%
					100.00%
				Total Bonus Pool Percent:	100.00%
					Effective: April 1, 2002

Example (Continued): Company achieves 100% of plan for all performance criteria.

Sum of Targets at beginning of FY	\$1,000,000
Sum of Targets	\$1,000,000
x Total Bonus Pool Percent	100%
Pool Total	\$1,000,000

Example (Continued): Employee achieves 90% of planned MBOs and is evaluated as “Meets” against business unit performance criteria.

Individual Performance Achievement Factor 90%

x Individual Target MICP Payout x \$8,000.00 (e.g. manager bonus level of 20% x \$40,000 salary level)

Individual Annual Payout \$7,200.00

Payout Guideline as a % of MICP Target Opportunity

Performance Rating	1	2	3	4
Recommended MICP Payout Range as a Percentage of Target Opportunity	0% to 80%	80% to 95%	95% to 110%	110% to 120%

- Payouts should be consistent with the employee’s achievement of objectives, overall contribution to the organization and performance rating
- Guidelines are established to provide recommended payout ranges based on employee performance

CREDIT AGREEMENT

among

**STERIS CORPORATION,
*as Borrower,***

**KEYBANK NATIONAL ASSOCIATION,
*as Agent, Lead Arranger
and Book Runner,***

**LASALLE BANK NATIONAL ASSOCIATION,
*as Documentation Agent,***

and

THE BANK OF NEW YORK,

NATIONAL CITY BANK,

PNC BANK, NATIONAL ASSOCIATION

and

**HARRIS TRUST AND SAVINGS BANK,
*as Co-Agents,***

and

**THE LENDING INSTITUTIONS PARTIES HERETO
*as Lenders***

**dated as of
March 28, 2002**

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EXHIBIT 10.12

This CREDIT AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this “*Agreement*”) is effective as of March 28, 2002, among:

- (a) STERIS CORPORATION, an Ohio corporation (“*Borrower*”);
- (b) the lending institutions listed on *Schedule I* hereto and each other lending institution that becomes a party hereto pursuant to Section 10.10 hereof (collectively, the “*Lenders*” and, individually, each a “*Lender*”);
- (c) KEYBANK NATIONAL ASSOCIATION, as administrative agent for the Lenders under this Agreement (together with any successor agent appointed pursuant to Section 9.10 hereof, “*Agent*”) and as Lead Arranger and Book Runner;
- (d) LASALLE BANK NATIONAL ASSOCIATION, as documentation agent under this Agreement (the “*Documentation Agent*”)
- (e) THE BANK OF NEW YORK, as a co-agent under this Agreement (“*Co-Agent*”);
- (f) NATIONAL CITY BANK, as a co-agent under this Agreement (“*Co-Agent*”);
- (g) HARRIS TRUST AND SAVINGS BANK, as a co-agent under this Agreement (“*Co-Agent*”); and
- (h) PNC BANK, NATIONAL ASSOCIATION, as a co-agent under this Agreement (“*Co-Agent*”).

INTRODUCTORY STATEMENT:

Borrower, Agent and the Lenders desire to contract for the establishment of credits in the aggregate principal amounts hereinafter set forth, to be made available to Borrower upon the terms and subject to the conditions hereinafter set forth.

AGREEMENT:

In consideration of the mutual covenants contained herein, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS

Section 1.01 *Definitions.* As used in this Agreement, the following terms shall have the following meanings:

“*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 of 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.

“*Advantage*” means any payment (whether made voluntarily or involuntarily, by offset of any deposit or other indebtedness or otherwise) received by any Lender in respect of the Debt, if such payment results in that Lender having less than its pro rata share of the outstanding Debt, than was the case immediately before such payment.

“*Affiliate*” means any Person, directly or indirectly, controlling, controlled by or under common control with a Company and “control” (including the correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Company, whether through the ownership of voting securities, by contract or otherwise.

“*Agent Fee Letter*” means the Agent Fee Letter between Borrower and Agent, dated as of the Closing Date, as the same may from time to time be amended, restated or otherwise modified.

“*Alternate Currency*” means Euros, Canadian dollars, Australian dollars, British pounds, Swedish kronas, yen or any other currency, other than Dollars, agreed to by Agent and each Lender that shall be freely transferable and convertible into Dollars.

“*Alternate Currency Exposure*” means, at any time, the aggregate principal Dollar Equivalent amount of all Alternate Currency Loans outstanding.

“*Alternate Currency Loan*” means a Revolving Loan described in Section 2.02(a) hereof that is denominated in an Alternate Currency on which Borrower shall pay interest at a rate based upon the Alternate Currency Rate.

“*Alternate Currency Rate*” means, with respect to an Alternate Currency Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest $\frac{1}{16}$ th of 1%) by dividing (a) the rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Alternate Currency Loan, as listed on British Bankers Association Interest Rate LIBOR 01 or 02 as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London

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interbank market for deposits in the relevant Alternate Currency in immediately available funds with a maturity comparable to such Interest Period, provided that, in the event that such rate quotation is not available for any reason, then the Alternate Currency Rate shall be the average (rounded upward to the nearest $\frac{1}{16}$ th of 1%) of the per annum rates at which deposits in immediately available funds in the relevant Alternate Currency for the relevant Interest Period and in the amount of the Alternate Currency Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent's discretion) by prime banks in any Alternate Currency market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Alternate Currency Loan hereunder; by (b) 1.00 minus the Reserve Percentage.

“Applicable Facility Fee Rate” means:

(a) for the period from the Closing Date through June 30, 2002 (or such earlier date as shall be determined below upon receipt of the financial statements for the fiscal quarter ending March 31, 2002), 25 basis points; and

(b) commencing with the financial statements for the fiscal quarter ending March 31, 2002, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on July 1, 2002 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points</u>
Greater than or equal to 2.50 to 1.00	40
Greater than 2.00 to 1.00 but less than 2.50 to 1.00	35
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	30
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	25
Less than 1.00 to 1.00	20

Changes to the Applicable Facility Fee Rate shall be effective on the first day of the month following the date upon which Agent received, or, if earlier, Agent should have received, pursuant to Section 5.03(a) or (b) hereof, the financial statements of Borrower. Nothing set forth in this definition shall be deemed to modify or waive, in any respect, the requirements of Section 5.07 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof.

“Applicable Margin” means:

(a) for the period from the Closing Date through June 30, 2002 (or such earlier date as shall be determined below upon receipt of the financial statements for the fiscal quarter ending

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March 31, 2002), (i) 100 basis points for Fixed Rate Loans and Swing Loans, and (ii) 0 basis points for Base Rate Loans; and

(b) commencing with the financial statements for the fiscal quarter ending March 31, 2002, the number of basis points set forth in the following matrix, based upon the result of the computation of the Leverage Ratio, shall be used to establish the number of basis points that will go into effect on July 1, 2002 and thereafter:

<u>Leverage Ratio</u>	<u>Applicable Basis Points for Fixed Rate Loans and Swing Loans</u>	<u>Applicable Basis Points for Base Rate Loans</u>
Greater than or equal to 2.50 to 1.00	160	75
Greater than or equal to 2.00 to 1.00 but less than 2.50 to 1.00	140	25
Greater than or equal to 1.50 to 1.00 but less than 2.00 to 1.00	120	0
Greater than or equal to 1.00 to 1.00 but less than 1.50 to 1.00	100	0
Less than 1.00 to 1.00	67.50	0

Changes to the Applicable Margin shall be effective on the first day of the month following the date upon which Agent received, or, if earlier, Agent should have received, pursuant to Section 5.03(a) or (b) hereof, the financial statements of Borrower. Nothing set forth in this definition shall be deemed to modify or waive, in any respect, the requirements of Section 5.07 hereof, the rights of Agent and the Lenders to charge the Default Rate, or the rights and remedies of Agent and the Lenders pursuant to Articles VII and VIII hereof.

“*Approved Derivatives Contract*” means (a) a Hedge Agreement entered into in the ordinary course of business and not for speculative purposes, or (b) a commodities contract purchased by a Company in the ordinary course of business, and not for speculative purposes, with respect to aluminum, steel, nickel or any other metal necessary to the manufacturing of goods in connection with the business of such Company.

“*Assignment Agreement*” means an Assignment and Assumption Agreement in the form of the attached Exhibit G.

“*Base Rate*” means a rate per annum equal to the greater of (a) the Prime Rate or (b) one-half of one percent (1/2%) in excess of the Federal Funds Effective Rate. Any change in the Base Rate shall be effective immediately from and after such change in the Base Rate.

“*Base Rate Loan*” means a Loan described in Section 2.02(a) hereof on which Borrower shall pay interest at a rate based on the Base Rate.

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“*Business Day*” means a day of the year on which banks are not required or authorized to close in Cleveland, Ohio, and, if the applicable Business Day relates to any Eurodollar Loan, on which dealings are carried on in the London interbank eurodollar market, and, if the applicable Business Day relates to any Alternate Currency Loan, on which commercial banks are open for international business (including the clearing of currency transfer in the relevant Alternate Currency) in the principal financial center of the home country of such Alternate Currency.

“*Cash Equivalent*” shall mean (a) a security that is the direct obligation of the United States of America (or any agency thereof), any member state of the European Union or any other sovereign nation acceptable to Agent so long as the full faith of and credit of such nation is pledged in support thereof; (b) time deposits, certificates of deposit or bankers acceptances issued by any Lender or any other domestic or foreign commercial bank or United States branch of a foreign bank licensed under the laws of the United States or a State thereof having (i) capital and surplus in excess of \$250,000,000 and (ii) a rating of BBB or better by Standard & Poor’s or, with respect to any investment or deposit in a foreign bank in excess of \$250,000, a rating of BBB or better by Standard & Poor’s, or if such a rating is not available, an equivalent from a comparable foreign rating agency (each an “*Approved Depository*”); (c) commercial paper or securities that at the time of investment therein shall have been assigned at least an A-1 rating (or the equivalent thereof) by Standard & Poor’s or a P-1 rating (or the equivalent thereof) by Moody’s and which mature within 180 days after the date of acquisition; (d) fully collateralized repurchase obligations entered into with any Lender or Approved Depository, having a term of not more than 180 days and covering securities of the type describe in subpart (a) above; or (e) investments in money market funds substantially all of the assets of which are securities of the types described in subparts (a) through (d) above.

“*Change in Control*” means (a) the acquisition of, or, if earlier, the shareholder or director approval of the acquisition of, ownership or voting control, directly or indirectly, beneficially or of record, on or after the Closing Date, by any Person or group (within the meaning of Rule 13d-3 of the SEC under the Securities Exchange Act of 1934, as then in effect), of shares representing more than 40% of the aggregate ordinary Voting Power represented by the issued and outstanding capital stock of Borrower; or (b) the occupation of a majority of the seats (other than vacant seats) on the board of directors of Borrower by Persons who were neither (i) nominated by the board of directors of Borrower nor (ii) appointed by directors so nominated.

“*Closing Date*” means the effective date of this Agreement.

“*Closing Fee Letter*” means the Closing Fee Letter, dated as of the Closing Date, from Borrower to the Lenders.

“*Code*” means the Internal Revenue Code of 1986, as amended, together with the rules and regulations promulgated thereunder.

“*Commitment*” means the obligation hereunder of the Lenders to make Loans pursuant to the Revolving Credit Commitments up to the Total Commitment Amount.

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“*Commitment Percentage*” means, for each Lender, the amount, expressed as a percentage, by which such Lender’s Revolving Credit Commitment bears to the Total Commitment Amount.

“*Commitment Period*” means the period from the Closing Date to March 28, 2005, or such earlier date on which the Commitment shall have been terminated pursuant to Article VIII hereof.

“*Company*” means Borrower or a Subsidiary.

“*Companies*” means Borrower and all Subsidiaries.

“*Compliance Certificate*” means a certificate, substantially in the form of the attached Exhibit D.

“*Consideration*” means, in connection with an Acquisition, the aggregate consideration paid, including borrowed funds, cash, the issuance of securities or notes, the assumption or incurring of liabilities (direct or contingent), the payment of consulting fees or fees for a covenant not to compete and any other consideration paid for the such purchase.

“*Consolidated*” means the resultant consolidation of the financial statements of Borrower and its Subsidiaries in accordance with GAAP, including principles of consolidation consistent with those applied in preparation of the consolidated financial statements referred to in Section 4.13 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 Borrower 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 a Company 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 a Company, 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 a Company for any portion of such period prior to the date of such Acquisition, and (ii) exclude the appropriate financial

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(other than assumed operating synergies) items for any Person or business unit that has been disposed of by a Company, for the portion of such period prior to the date of such disposition.

“*Consolidated Funded Indebtedness*” means, with respect to Borrower as determined on a Consolidated basis, without duplication, (a) all Indebtedness for borrowed money and capitalized leases, including, but not limited to, current, long-term and Subordinated Indebtedness, if any, all Synthetic Lease Indebtedness, and all obligations under conditional sales or other title retention agreements (other than a true consignment), (b) all Permitted Third-Party Guaranties, and (c) all Indebtedness of a Foreign Subsidiary incurred pursuant to subpart (c) of the definition of Permitted Foreign Subsidiary Loans and Investments that is guaranteed by Borrower or any Guarantor of Payment, or for which Borrower or any Guarantor of Payment is otherwise liable, whether directly or indirectly.

“*Consolidated Interest Expense*” means, for any period, interest expense of Borrower 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 Borrower 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 Borrower, determined on a Consolidated basis and in accordance with GAAP.

“*Contribution Agreement*” means the Contribution Agreement, in the form of the attached *Exhibit I*, entered into by Borrower and each Guarantor of Payment, as the same may from time to time be amended, restated, supplemented, or otherwise modified.

“*Controlled Group*” means a Company and each Person required to be aggregated with a Company under Code Sections 414(b), (c), (m) or (o).

“*Credit Event*” means the making by any Lender of a Loan, the conversion by any Lender of a Fixed Rate Loan or Base Rate Loan, or the continuation by any Lender of a Fixed Rate Loan.

“*Debt*” means, collectively, all Indebtedness and other obligations incurred by Borrower to the Lenders pursuant to this Agreement and includes the principal of and interest on all Notes and each extension, renewal or refinancing thereof in whole or in part, the facility fees, other fees and any prepayment fees and other amounts payable hereunder, and all Related Expenses.

“*Debt Placement*” means an underwritten public offering, Rule 144A offering, private placement or other debt offering with one or more institutional investors, provided that Debt Placement shall not include a committed senior revolving credit facility provided by a commercial bank or banks.

“*Default*” means an event or condition that constitutes, or with the lapse of any applicable grace period or the giving of notice or both would constitute, an Event of Default and that has not been waived by the Required Lenders (or all of the Lenders, as the case may be) in writing.

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“*Default Rate*” means (a) with respect to any Loan, a rate per annum equal to 2% in excess of the rate otherwise applicable thereto, and (b) with respect to any other amount, a rate per annum equal to 2% in excess of the Derived Base Rate from time to time in effect.

“*Derived Base Rate*” means a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) plus the Base Rate.

“*Derived Fixed Rate*” means, (a) with respect to a Eurodollar Loan, a rate per annum equal to the sum of the Applicable Margin (from time to time in effect) plus the Eurodollar Rate, or (b) with respect to an Alternate Currency Loan, a rate per annum equal to the sum of the Applicable Margin from time to time in effect plus the Alternate Currency Rate applicable to the relevant Alternate Currency.

“*Derived Swing Loan Rate*” means a rate per annum equal to (a) Agent’s costs of funds as quoted to Borrower by Agent and agreed to by Borrower, plus (b) the Applicable Margin (from time to time in effect).

“*Dollar*” or \$ means lawful money of the United States of America.

“*Dollar Equivalent*” means, (a) with respect to an Alternate Currency Loan, the Dollar equivalent of the amount of such Alternate Currency Loan, determined by Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date two Business Days before the date of such Alternate Currency Loan, for the purchase of the relevant Alternate Currency with Dollars for delivery on the date of such Alternate Currency Loan, and (b) with respect to any other amount, the Dollar equivalent of such amount, determined by Agent on the basis of its spot rate at approximately 11:00 A.M. London time on the date for which the Dollar equivalent amount of such amount is being determined, for the purchase of the relevant Alternate Currency with Dollars for delivery on such date; provided, however, that, in calculating the Dollar Equivalent for purposes of determining (i) Borrower’s obligation to prepay Loans pursuant to Section 2.12 hereof, or (ii) Borrower’s ability to request additional Loans pursuant to the Commitment, Agent may, in its discretion, on any Business Day (prior to payment in full of the Debt) selected by Agent, calculate the Dollar Equivalent of each such Loan. Agent shall notify Borrower of the Dollar Equivalent of such Alternate Currency Loan, or any other amount, at the time that Dollar Equivalent is determined.

“*Domestic Subsidiary*” means a Subsidiary that is not a Foreign Subsidiary.

“*Environmental Laws*” means all provisions of law, statutes, ordinances, rules, regulations, permits, licenses, judgments, writs, injunctions, decrees, orders, awards and standards promulgated by the government of the United States of America or any other applicable country or sovereignty or by any state or municipality thereof or by any court, agency, instrumentality, regulatory authority or commission of any of the foregoing concerning health, safety and protection of, or regulation of the discharge of substances into, the environment.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated pursuant thereto.

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“*ERISA Event*” means (a) the existence of a condition or event with respect to an ERISA Plan that presents a risk of the imposition of an excise tax or any other liability on a Company or of the imposition of a Lien on the assets of a Company; (b) the engagement by a Controlled Group member in a non-exempt “prohibited transaction” (as defined under ERISA Section 406 or Code Section 4975) or a breach of a fiduciary duty under ERISA that could result in liability to a Company; (c) the application by a Controlled Group member for a waiver from the minimum funding requirements of Code Section 412 or ERISA Section 302 or a Controlled Group member is required to provide security under Code Section 401(a)(29) or ERISA Section 307; (d) the occurrence of a Reportable Event with respect to any Pension Plan as to which notice is required to be provided to the PBGC; (e) the withdrawal by a Controlled Group member from a Multiemployer Plan in a “complete withdrawal” or a “partial withdrawal” (as such terms are defined in ERISA Sections 4203 and 4205, respectively); (f) the involvement of, or occurrence or existence of any event or condition that makes likely the involvement of, a Multiemployer Plan in any reorganization under ERISA Section 4241; (g) the failure of an ERISA Plan (and any related trust) that is intended to be qualified under Code Sections 401 and 501 to be so qualified or the failure of any “cash or deferred arrangement” under any such ERISA Plan to meet the requirements of Code Section 401(k); (h) the taking by the PBGC of any steps to terminate a Pension Plan or appoint a trustee to administer a Pension Plan, or the taking by a Controlled Group member of any steps to terminate a Pension Plan; (i) the failure by a Controlled Group member or an ERISA Plan to satisfy any requirements of law applicable to an ERISA Plan; (j) the commencement, existence or threatening of a claim, action, suit, audit or investigation with respect to an ERISA Plan, other than a routine claim for benefits; or (k) any occurrence by or any expectation of the incurrence by a Controlled Group member of any liability for post-retirement benefits under any Welfare Plan, other than as required by ERISA Section 601, *et seq.* or Code Section 4980B.

“*ERISA Plan*” means an “employee benefit plan” (within the meaning of ERISA Section 3(3)) that a Controlled Group member at any time sponsors, maintains, contributes to, has liability with respect to or has an obligation to contribute to such plan.

“*Eurocurrency Liabilities*” has the meaning assigned to that term in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“*Eurodollar Loan*” means a Revolving Loan described in Section 2.02(a) hereof that is denominated in Dollars on which Borrower shall pay interest at a rate based upon the Eurodollar Rate.

“*Eurodollar Rate*” means, with respect to a Eurodollar Loan, for any Interest Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the nearest $\frac{1}{16}$ th of 1%) by dividing (a) the per annum rate of interest, determined by Agent in accordance with its usual procedures (which determination shall be conclusive absent manifest error) as of approximately 11:00 A.M. (London time) two Business Days prior to the beginning of such Interest Period pertaining to such Eurodollar Loan, as provided by Reuters (or, if for any reason such rate is unavailable from Reuters, from any other similar company or service that provides rate quotations comparable to those currently provided by Reuters) as the rate in the London interbank market for Dollar deposits in immediately available funds with a maturity comparable to such Interest Period, provided that, in the event that such rate quotation is not available for any

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reason, then the Eurodollar Rate shall be the average (rounded upward to the nearest $\frac{1}{16}$ th of 1%) of the per annum rates at which deposits in immediately available funds in Dollars for the relevant Interest Period and in the amount of the Eurodollar Loan to be disbursed or to remain outstanding during such Interest Period, as the case may be, are offered to Agent (or an affiliate of Agent, in Agent's discretion) by prime banks in any Eurodollar market reasonably selected by Agent, determined as of 11:00 A.M. (London time) (or as soon thereafter as practicable), two Business Days prior to the beginning of the relevant Interest Period pertaining to such Eurodollar Loan hereunder; by (b) 1.00 minus the Reserve Percentage.

"*Event of Default*" means an event or condition that constitutes an event of default as defined in Article VII hereof.

"*Excluded Agreement*" means any contract or agreement entered into in connection with Indebtedness permitted to be incurred pursuant to Section 5.08(c), Section 5.08(h) or Section 5.08(i), but only to the extent that any such contract or agreement entered into in connection with Indebtedness permitted pursuant to Section 5.08(i) is entered into with a Lender.

"*Federal Funds Effective Rate*" means, for any day, the rate per annum (rounded upward to the nearest one one-hundredth of one percent (1/100 of 1%)) announced by the Federal Reserve Bank of New York (or any successor) on such day as being the weighted average of the rates on overnight federal funds transactions arranged by federal funds brokers on the previous trading day, as computed and announced by such Federal Reserve Bank (or any successor) in substantially the same manner as such Federal Reserve Bank computes and announces the weighted average it refers to as the "Federal Funds Effective Rate" as of the Closing Date.

"*Financial Officer*" means any of the following officers: chief executive officer, president, chief financial officer or treasurer. Unless otherwise qualified, all references to a Financial Officer in this Agreement shall refer to a Financial Officer of Borrower.

"*Fixed Rate Loan*" means a Eurodollar Loan or an Alternate Currency Loan.

"*Foreign Subsidiary*" means a Subsidiary that is organized outside of the United States.

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

"*Guarantor*" means a Person that pledges its credit or property in any manner for the payment or other performance of the indebtedness, contract or other obligation of another and includes (without limitation) any guarantor (whether of payment or of collection), surety, co-maker, endorser or Person that agrees conditionally or otherwise to make any purchase, loan or investment in order thereby to enable another to prevent or correct a default of any kind.

"*Guarantor of Payment*" means each of the Companies set forth on *Schedule 2* hereof, that are executing and delivering a Guaranty of Payment, or any other Person that shall deliver a Guaranty of Payment to Agent after the Closing Date in connection with this Agreement.

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“*Guaranty of Payment*” means the Guaranty of Payment, in the form of the attached *Exhibit E*, entered into by each Guarantor of Payment, and each other Guaranty of Payment executed and delivered on or after the Closing Date by any Person in connection with this Agreement, as any of the foregoing may from time to time be amended, restated, supplemented, or otherwise modified.

“*Hedge Agreement*” means any (a) hedge agreement, interest rate swap, cap, collar or floor agreement, or other interest rate management device entered into by a Company with any Person in connection with any Indebtedness of such Company, or (b) currency swap agreement, forward currency purchase agreement, foreign currency option contract or similar arrangement or agreement designed or used to protect against fluctuations in currency exchange rates entered into by a Company.

“*Indebtedness*” means, for any Company (excluding in all cases trade payables payable in the ordinary course of business by such Company), without duplication, (a) all obligations to repay borrowed money, direct or indirect, incurred, assumed, or guaranteed, (b) all obligations for the deferred purchase price of capital assets, (c) all obligations under conditional sales or other title retention agreements (other than a true consignment), (d) all obligations (contingent or otherwise) under any letter of credit, banker’s acceptance or Hedge Agreement, (e) all Synthetic Lease Indebtedness, (f) all lease obligations that have been or should be capitalized on the books of such Company in accordance with GAAP, (g) all obligations (other than customary reimbursement obligations for out-of-pocket expenses and legal fees and indemnification obligations that have not been fixed) of such Company with respect to asset securitization financing programs, (h) all obligations to advance funds to, or to purchase assets, property or services from, any other Person in order to maintain the financial condition of such Person, (i) any other transaction (including forward sale or purchase agreements) having the commercial effect of a borrowing of money entered into by such Company to finance its operations or capital requirements, and (j) all guarantees of any of the foregoing Indebtedness by any Company.

“*Insurance Subsidiary*” means Global Risk Insurance Company, a Vermont corporation, together with its successors and assigns.

“*Interest Adjustment Date*” means the last day of each Interest Period.

“*Interest Coverage Ratio*” means, as of any date, the ratio of (a) Consolidated EBIT to (b) Consolidated Interest Expense, for the four fiscal quarters of Borrower ended on or immediately prior to such date.

“*Interest Period*” means, with respect to a Fixed Rate Loan, a period of one, two, three or six months, as selected by Borrower in accordance with Section 2.03 hereof, commencing on the applicable date of borrowing or conversion of such Fixed Rate Loan and on each Interest Adjustment Date with respect thereto; provided, however, that if any such period would be affected by a reduction in the Commitment as provided in Section 2.10 hereof, prepayment or conversion rights or obligations as provided in Section 2.03(b) or Article III hereof, or maturity of Fixed Rate Loans as provided in Section 2.02 hereof, Borrower shall not select a period that extends beyond the date of such reduction, prepayment, conversion or maturity; provided, further, that, if (a) Borrower fails to select a new Interest Period with respect to an outstanding

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Eurodollar Loan at least three Business Days prior to the Interest Adjustment Date applicable to such Eurodollar Loan, Borrower shall be deemed to have converted such Eurodollar Loan to a Base Rate Loan at the end of the then current Interest Period, or (b) Borrower fails to select a new Interest Period with respect to an outstanding Alternate Currency Loan at least three Business Days prior to the Interest Adjustment Date applicable to such Alternative Currency Loan, such Alternate Currency Loan shall be repaid on the last day of the applicable Interest Period.

“*Leverage Ratio*” means, as of any date, the ratio of (a) Consolidated Funded Indebtedness as of such date to (b) Consolidated EBITDA for the four fiscal quarters of Borrower ended on or immediately prior to such date.

“*Lien*” means any mortgage, security interest, lien (statutory or other), charge, encumbrance on, pledge or deposit of, or conditional sale, leasing, sale with a right of redemption or other title retention agreement and any capitalized lease with respect to any property (real or personal) or asset.

“*Loan*” means a Revolving Loan or a Swing Loan.

“*Loan Documents*” means, collectively, this Agreement, each Note, each Guaranty of Payment, each Pledge Agreement, the Agent Fee Letter, the Closing Fee Letter and any other documents relating to any of the foregoing, as any of the foregoing may from time to time be amended, restated or otherwise modified or replaced.

“*Material Adverse Effect*” means (a) a material adverse effect on the business, operations, property, condition (financial or otherwise) or prospects of Borrower and its Subsidiaries taken as a whole, or (b) a material adverse effect on the ability of Borrower or any other Company to perform or comply with any of the material terms and conditions of any material Loan Document.

“*Material Indebtedness Agreement*” means any debt instrument, lease (capital, operating or otherwise), guaranty, contract, commitment, agreement or other arrangement evidencing any Indebtedness of any Company in excess of the aggregate amount of \$10,000,000.

“*Moody’s*” means Moody’s Investors Service, Inc., or any successor to such company.

“*Mult employer Plan*” means a Pension Plan that is subject to the requirements of Subtitle E of Title IV of ERISA.

“*Note*” means any Revolving Credit Note, any Swing Line Note or any other note delivered pursuant to this Agreement.

“*Notice of Loan*” means a Notice of Loan in the form of the attached Exhibit C.

“*Obligor*” means (a) a Person whose credit or any of whose property is pledged to the payment of the Debt and includes, without limitation, any Guarantor, and (b) any signatory to a Related Writing.

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“*Organizational Documents*” means, with respect to any Person (other than an individual), such Person’s Articles (Certificate) of Incorporation, or equivalent formation documents, and Regulations (Bylaws), or equivalent governing documents, and any amendments to any of the foregoing.

“*PBGC*” means the Pension Benefit Guaranty Corporation, or its successor.

“*Pension Plan*” means an ERISA Plan that is a “pension plan” (within the meaning of ERISA Section 3(2)).

“*Permitted Foreign Subsidiary Loans and Investments*” means (a) any investment by a Foreign Subsidiary in, or loan from a Foreign Subsidiary to, another Company, (b) any investment by Borrower or a Guarantor of Payment in a Foreign Subsidiary made in the ordinary course of business, (c) any loan from Borrower or a Guarantor of Payment to a Foreign Subsidiary made in the ordinary course of business, and (d) any Indebtedness of a Foreign Subsidiary owing to another Person (other than a Company) incurred in the ordinary course of business, so long as the aggregate amount of all such loans, investments and Indebtedness (including the loans, investments and Indebtedness outstanding on the Closing Date) for all Companies pursuant to subparts (b), (c) and (d) above does not exceed, at any time, an amount equal to 25% of Consolidated Net Worth, based upon Borrower’s financial statements for the most recently completed fiscal quarter.

“*Permitted Insurance Subsidiary Loans and Investments*” means (a) any investment by the Insurance Subsidiary in, or loan from the Insurance Subsidiary to, Borrower or a Guarantor of Payment, (b) equity investments by Borrower in the Insurance Subsidiary in an aggregate amount not to exceed \$1,000,000, (c) any investment by Borrower or a Guarantor of Payment (in addition to the investments permitted pursuant to the foregoing subpart (b)) in, or loans by Borrower or a Guarantor of Payment to, the Insurance Subsidiary made in the ordinary course of business, so long as the aggregate amount of all such loans and investments does not exceed \$20,000,000 at any time, and (d) investments by the Insurance Subsidiary in debt or equity investments in the ordinary course of the Insurance Subsidiary’s business.

“*Permitted Third Party Investments*” means (a) any Permitted Third-Party Guaranty and (b) any investment of Borrower or a Guarantor of Payment in the stock (or other debt or equity instruments) of a Person (other than a Company), so long as the aggregate amount of all such investments, together with the amount of all Permitted Third-Party Guaranties, of all Companies does not exceed \$50,000,000 at any time.

“*Permitted Third-Party Guaranty*” means any guaranty by Borrower or a Guarantor of Payment of Indebtedness of a Person other than a Company, so long as the aggregate amount of all such guaranties does not exceed \$10,000,000 at any time.

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

“*Pledge Agreement*” means each Pledge Agreement, in the form of the attached *Exhibit F*, executed and delivered by any Company to Agent, for the benefit of the Lenders, on

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or after the Closing Date, as any of the foregoing may from time to time be amended, restated or otherwise modified.

“*Prime Rate*” means the interest rate established from time to time by Agent as Agent’s prime rate, whether or not such rate shall be publicly announced; the Prime Rate may not be the lowest interest rate charged by Agent for commercial or other extensions of credit. Each change in the Prime Rate shall be effective immediately from and after such change.

“*Related Expenses*” means any and all reasonable costs, liabilities and expenses (including, without limitation, losses, damages, penalties, claims, actions, reasonable attorneys’ fees, legal expenses, judgments, suits and disbursements) (a) incurred by Agent or imposed upon or asserted against Agent or any Lender, in any attempt by Agent and the Lenders to (i) obtain, preserve, perfect or enforce any security interest evidenced by any Loan Document; (ii) obtain payment, performance or observance of any and all of the Debt; or (iii) maintain, insure, audit, collect, preserve, repossess or dispose of any collateral securing the Debt, including, without limitation, costs and expenses for appraisals, assessments and audits of any Company or any such collateral; or (b) incidental or related to (a) above, including, without limitation, interest thereupon from the date incurred, imposed or asserted until paid at the Default Rate.

“*Related Writing*” means each Loan Document and any other assignment, mortgage, security agreement, guaranty agreement, subordination agreement, financial statement, audit report or other writing furnished by Borrower, any Subsidiary or any Obligor, or any of their respective officers, to Agent or the Lenders pursuant to or otherwise in connection with this Agreement.

“*Reportable Event*” means a reportable event as that term is defined in Title IV of ERISA, except actions of general applicability by the Secretary of Labor under Section 110 of such Act.

“*Request for Extension*” means a notice, substantially in the form of the attached Exhibit H.

“*Required Lenders*” means the holders of at least 51% of the Total Commitment Amount, or, if there is any borrowing hereunder, the holders of at least 51% of the aggregate principal amount outstanding under all Notes other than the Swing Line Note.

“*Reserve Percentage*” means, with respect any Fixed Rate Loan for any day, the percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) for a member bank of the Federal Reserve System in Cleveland, Ohio, in respect of Eurocurrency Liabilities. The Eurodollar Rate and the Alternate Currency Rate shall be adjusted automatically on and as of the effective date of any change in the Reserve Percentage.

“*Revolving Credit Commitment*” means the obligation hereunder, during the Commitment Period, of (a) each Lender to participate in the making of Revolving Loans up to

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the aggregate amount set forth opposite such Lender's name under the column headed "Revolving Credit Commitment Amount" as set forth on *Schedule 1* hereof (or such other amount as shall be determined pursuant to Section 2.10 or 10.10 hereof) and (b) Agent to make Swing Loans pursuant to the Swing Line Commitment.

"*Revolving Credit Exposure*" means, at any time, the sum of (a) the aggregate principal Dollar or Dollar Equivalent amount of all Revolving Loans outstanding and (b) the Swing Line Exposure.

"*Revolving Credit Note*" means a Revolving Credit Note, in the form of the attached *Exhibit A*, executed and delivered pursuant to Section 2.05(a) hereof.

"*Revolving Loan*" means a loan granted to Borrower by the Lenders in accordance with Section 2.02(a) hereof.

"*SEC*" means the United States Securities and Exchange Commission, or any governmental body or agency succeeding to any of its principal functions.

"*Share Repurchase*" means the purchase, repurchase, redemption or other acquisition by Borrower from any Person of any capital stock or other equity interest of Borrower.

"*Standard & Poor's*" means Standard & Poor's Ratings Group, a division of McGraw-Hill, Inc., or any successor to such company.

"*Subordinated*", as applied to Indebtedness, means that the Indebtedness has been subordinated (by written terms or written agreement being, in either case, in form and substance satisfactory to Agent and the Required Lenders) in favor of the prior payment in full of the Debt.

"*Subsidiary*" of Borrower or any of its Subsidiaries means (a) a corporation more than 50% of the Voting Power of which is owned, directly or indirectly, by Borrower or by one or more other subsidiaries of Borrower or by Borrower and one or more subsidiaries of Borrower, (b) a partnership or limited liability company of which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, is a general partner or managing member, as the case may be, or otherwise has the power to direct the policies, management and affairs thereof, or (c) any other Person (other than a corporation) in which Borrower, one or more other subsidiaries of Borrower or Borrower and one or more subsidiaries of Borrower, directly or indirectly, has at least a majority interest in the Voting Power or the power to direct the policies, management and affairs thereof.

"*Swing Line*" means the credit facility established by Agent for Borrower in accordance Section 2.02(b) hereof.

"*Swing Line Commitment*" means the commitment of Agent to make Swing Loans to Borrower up to the maximum aggregate amount at any time outstanding of \$25,000,000 in accordance with the terms and conditions of the Swing Line.

"*Swing Line Exposure*" means, at any time, the aggregate principal amount of all outstanding Swing Loans.

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“*Swing Line Note*” means the Swing Line Note, in the form of the attached *Exhibit B*, executed and delivered pursuant to Section 2.02(b) hereof.

“*Swing Loan*” means a loan granted to Borrower by Agent under the Swing Line.

“*Swing Loan Maturity Date*” means, with respect to any Swing Loan, the earlier of (a) the date agreed to between Agent and Borrower, but in no event shall such date be in excess of 29 days after the date such Swing Loan is made, or (b) the last day of the Commitment Period.

“*Synthetic Lease*” means any lease entered into by any Company that is treated as a lease for accounting purposes but that is intended by the parties to be treated as a financing transaction for income tax, property law and/or bankruptcy purposes, and in respect of which transaction any Synthetic Lease Indebtedness is issued or incurred.

“*Synthetic Lease Indebtedness*” means the aggregate principal amount of (and capitalized interest on) all indebtedness incurred or issued in connection with any Synthetic Lease that is secured, supported or serviced, directly or indirectly, by any payments made by any Company.

“*Tax*” means any present or future tax, levy, deduction, charge or withholding and all liabilities with respect to any of the foregoing (other than taxes imposed on or measured by the income of any Lender, or franchise taxes imposed on such Lender, by any jurisdiction in which such Lender is organized or in which such Lender is resident or doing business), under the laws of the United States of America or any foreign jurisdiction (or any state or political subdivision thereof).

“*Total Commitment Amount*” means the principal amount of \$325,000,000 (or its Dollar Equivalent in Alternate Currency), or such lesser amount as shall be determined pursuant to Section 2.10 hereof; provided, however, that, for the purposes of determining the Total Commitment Amount, Agent may, in its discretion, calculate the Dollar Equivalent of any Alternate Currency Loan on any Business Day selected by Agent.

“*Voting Power*” means, with respect to any Person, the exclusive ability to control, through the ownership of shares of capital stock, partnership interests, membership interests or otherwise, the election of members of the board of directors or other similar governing body of such Person, and the holding of a designated percentage of Voting Power of a Person means the ownership of shares of capital stock, partnership interests, membership interests or other interests of such Person sufficient to control exclusively the election of that percentage of the members of the board of directors or similar governing body of such Person.

“*Welfare Plan*” means an ERISA Plan that is a “welfare plan” within the meaning of ERISA Section 3(l).

“*Wholly-Owned Subsidiary*” means, with respect to any Person, any corporation, limited liability company or other entity, all of the securities or other ownership interest of which having ordinary voting power to elect a majority of the board of directors, or other persons performing similar functions, are at the time directly or indirectly owned by such Person.

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Section 1.02 *Accounting Terms.* Any accounting term not specifically defined in this Article I shall have the meaning ascribed thereto by GAAP.

Section 1.03 *Terms Generally.* The foregoing definitions shall be applicable to the singular and plurals of the foregoing defined terms.

ARTICLE II.

AMOUNT AND TERMS OF CREDIT

Section 2.01 *Commitment.*

(a) Subject to the terms and conditions of this Agreement, each Lender shall participate, to the extent hereinafter provided, in making Loans to Borrower in such aggregate amount as Borrower shall request pursuant to the Commitment; provided, however, that in no event shall the Dollar Equivalent of the aggregate principal amount of all Loans outstanding under this Agreement be in excess of the Total Commitment Amount.

(b) Each Lender, for itself and not one for any other, agrees to participate in Loans made hereunder during the Commitment Period on such basis that (i) immediately after the completion of any borrowing by Borrower, the Dollar Equivalent of the aggregate outstanding principal amount on the Notes (other than the Swing Line Note) issued to such Lender shall not be in excess of such Lender's Revolving Credit Commitment, and (ii) such Dollar Equivalent of the aggregate principal amount outstanding on the Notes (other than the Swing Line Note) issued to such Lender shall represent that percentage of the Dollar Equivalent of the aggregate outstanding principal amount on all Notes (including the Notes held by such Lender) that is such Lender's Commitment Percentage.

(c) Each borrowing (other than Swing Loans) from the Lenders hereunder shall be made pro rata according to the respective Commitment Percentages of the Lenders.

Section 2.02 *Loans.*

(a) *Revolving Loans.* Subject to the terms and conditions of this Agreement, during the Commitment Period, the Lenders shall make a Revolving Loan or Revolving Loans to Borrower in such amount or amounts as Borrower may from time to time request, but not exceeding in aggregate principal amount at any time outstanding hereunder the Total Commitment Amount, when such Revolving Loans are combined with the Swing Line Exposure. Borrower shall have the option, subject to the terms and conditions set forth herein, to borrow Revolving Loans, maturing on the last day of the Commitment Period, by means of any combination of Base Rate Loans, Eurodollar Loans or Alternate Currency Loans. With respect to each Alternate Currency Loan, subject to the other provisions of this Agreement, Borrower shall have the right to receive all of the proceeds of such Alternate Currency Loan in an Alternate Currency. Each Alternate Currency Loan shall be made in a single Alternate Currency. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.02(a) to borrow funds, repay the same in whole or in part and re-borrow hereunder at any time and from time to time during the Commitment Period.

(b) *Swing Loans.*

(i) *Generally.* Subject to the terms and conditions of this Agreement, during the Commitment Period, Agent shall make a Swing Loan or Swing Loans to Borrower in such amount or amounts as Borrower may from time to time request; provided that Borrower shall not request any Swing Loan hereunder if, after giving effect thereto, (x) the Revolving Credit Exposure would exceed the Total Commitment Amount, or (y) the Swing Line Exposure would exceed the Swing Line Commitment. Each Swing Loan shall be due and payable on the Swing Loan Maturity Date applicable thereto. Borrower shall not request that more than two Swing Loans be outstanding at any time. Each Swing Loan shall be made in Dollars. Subject to the provisions of this Agreement, Borrower shall be entitled under this Section 2.02(b) to borrow funds, repay the same in whole or in part and reborrow hereunder at any time and from time to time during the Commitment Period.

(ii) *Refunding of Swing Loans.* If Agent so elects, by giving notice to Borrower and the Lenders, Borrower agrees that Agent shall have the right, in its sole discretion, to require that any Swing Loan be refinanced as a Revolving Loan. Such Revolving Loan shall be a Base Rate Loan unless and until converted by Borrower to a Eurodollar Loan pursuant to Section 2.03 hereof. Upon receipt of such notice by Borrower, Borrower shall be deemed, on such day, to have requested a Revolving Loan in the principal amount of the Swing Loan in accordance with Section 2.03 hereof. Each Lender agrees to make a Revolving Loan on the date of such notice, subject to no conditions precedent whatsoever. Each Lender acknowledges and agrees that such Lender's obligation to make a Revolving Loan pursuant to Section 2.02(a) when required by this Section 2.02(b) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or Event of Default, and that its payment to Agent, for the account of Agent, of the proceeds of such Revolving Loan shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Commitment Percentage shall have been reduced or terminated. Borrower irrevocably authorizes and instructs Agent to apply the proceeds of any borrowing pursuant to this paragraph to repay in full such Swing Loan.

(iii) *Participations.* If, for any reason, Agent is unable to or, in the opinion of Agent, it is impracticable to, convert any Swing Loan to a Revolving Loan pursuant to the preceding paragraph, then on any day that a Swing Loan is outstanding (whether before or after the maturity thereof), Agent shall have the right to request that each Lender purchase a participation in such Swing Loan, and Agent shall promptly notify each Lender thereof (by facsimile or telephone, confirmed in writing). Upon such notice, but without further action, Agent hereby agrees to grant to each Lender, and each Lender hereby agrees to acquire from Agent, an undivided participation interest in such Swing Loan in an amount equal to such Lender's Commitment Percentage of the aggregate principal amount of such Swing Loan. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to Agent, for its sole account, such Lender's ratable share of such Swing Loan (determined in accordance with such Lender's Commitment

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Percentage). Each Lender acknowledges and agrees that its obligation to acquire participations in Swing Loans pursuant to this Section 2.02(b) shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, the occurrence and continuance of a Default or an Event of Default, and that each such payment shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever and whether or not such Lender's Revolving Credit Commitment shall have been reduced or terminated. Each Lender shall comply with its obligation under this Section 2.02(b) by wire transfer of immediately available funds, in the same manner as provided in Section 2.03 hereof with respect to Revolving Loans to be made by such Lender. Notwithstanding the foregoing, no Lender shall be obligated to purchase a participation in a Swing Loan pursuant to this subsection if such Swing Loan was made by Agent after Agent has received written notice of the existence of a Default or Event of Default pursuant to Section 9.06 hereof.

Section 2.03 *Notice of Credit Event; Funding of Loans Etc.*

(a) *Notice of Loan.* Agent shall have received a Notice of Loan prior to any Credit Event by (i) 11:30 A.M. (Cleveland, Ohio time) on the proposed date of borrowing or conversion of any Base Rate Loan, (ii) 11:30 A.M. (Cleveland, Ohio time) three Business Days prior to the proposed date of borrowing, conversion or continuation of any Eurodollar Loan, (iii) 11:00 A.M. (Cleveland, Ohio time) three Business Days prior to the proposed date of borrowing of any Alternate Currency Loan, and (iv) 11:00 A.M. (Cleveland, Ohio time) on the proposed date of borrowing of any Swing Loan.

(b) *Conversion of Loans.* At the request of Borrower to Agent, subject to the notice and other provisions of Section 2.03(a) hereof, the Lenders shall convert Base Rate Loans to Eurodollar Loans at any time and shall convert Eurodollar Loans to Base Rate Loans on any Interest Adjustment Date. No Alternate Currency Loan may be converted to a Base Rate Loan or a Eurodollar Loan.

(c) *Minimum Amount.* Borrower's request for (i) a Base Rate Loan shall be in an amount of not less than \$1,000,000, increased by increments of \$500,000, (ii) a Fixed Rate Loan shall be in an amount (or, with respect to an Alternate Currency Loan, the Dollar Equivalent) of not less than \$5,000,000, increased by increments of \$1,000,000 (or, with respect to an Alternate Currency Loan, such approximately comparable amount as shall result in a rounded number of the applicable Alternate Currency), and (iii) a Swing Loan shall be in an amount not less than \$1,000,000.

(d) *Interest Periods.* At no time shall Borrower request that Fixed Rate Loans be outstanding for more than ten different Interest Periods at any time, and, if Base Rate Loans are outstanding, then Fixed Rate Loans shall be limited to nine different Interest Periods at any time.

(e) *Indemnification.* Each request for a Fixed Rate Loan shall be irrevocable and binding on Borrower and Borrower shall indemnify Agent and the Lenders against any loss or expense incurred by Agent or the Lenders as a result of any failure by Borrower to consummate such transaction including, without limitation, any loss (including loss of anticipated profits) or expense incurred by reason of liquidation or re-employment of deposits or other funds acquired

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by the Lenders to fund such Fixed Rate Loan. A certificate as to the amount of such loss or expense submitted by the Lenders to Borrower shall be conclusive and binding for all purposes, absent manifest error.

(f) *Funding of Loans.* Agent shall notify each Lender of the date, amount and initial Interest Period (if applicable) of any Eurodollar Loan or Alternate Currency Loan promptly upon the receipt of such notice, and, in any event, by 2:00 P.M. (Cleveland, Ohio time) on the date such notice is received. On the date such Loan is to be made, each Lender shall provide Agent, not later than 3:00 P.M. (Cleveland, Ohio time), with the amount in federal or other immediately available funds, required of it. If Agent elects to advance the proceeds of such Loan prior to receiving funds from such Lender, Agent shall have the right, upon prior notice to Borrower, to debit any account of Borrower or otherwise receive from Borrower, on demand, such amount, in the event that such Lender fails to reimburse Agent in accordance with this subsection. Agent shall also have the right to receive interest from such Lender at the Federal Funds Effective Rate in the event that such Lender shall fail to provide its portion of the Loan on the date requested and Agent elects to provide such funds.

Section 2.04 *Interest.*

(a) *Revolving Loans.*

(i) *Base Rate Loans.* Borrower shall pay interest on the unpaid principal amount of Revolving Loans that are Base Rate Loans outstanding from time to time from the date thereof until paid at the Derived Base Rate from time to time in effect. Interest on such Base Rate Loans shall be payable, commencing June 30, 2002, and on the last day of each succeeding September, December, March and June thereafter and at the maturity thereof.

(ii) *Fixed Rate Loans.* Borrower shall pay interest on the unpaid principal amount of each Revolving Loan that is a Eurodollar Loan or an Alternate Currency Loan outstanding from time to time, fixed in advance on the first day of the Interest Period applicable thereto through the last day of the Interest Period applicable thereto (but subject to changes in the Applicable Margin), at the Derived Fixed Rate. Interest on all such Fixed Rate Loans shall be payable on each Interest Adjustment Date (provided that if an Interest Period exceeds three months, the interest must be paid every three months, commencing three months from the beginning of such Interest Period).

(b) *Swing Loans.* Borrower shall pay interest, for the sole benefit of Agent (and any Lender that has purchased a participation in such Swing Loan), on the unpaid principal amount of each Swing Loan outstanding from time to time from the date thereof until paid at the Derived Swing Loan Rate applicable to such Swing Loan. Interest on each Swing Loan shall be payable on the Swing Loan Maturity Date applicable thereto. Each Swing Loan shall bear interest for a minimum of one day.

(c) *Default Rate.* Anything herein to the contrary notwithstanding, if an Event of Default shall occur hereunder, at the option of Agent or the Required Lenders, the principal of each Note, the unpaid interest thereon and any other amounts owing hereunder shall bear

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interest, until paid, at the Default Rate. In no event shall the rate of interest hereunder exceed the maximum rate allowable by law.

Section 2.05 *Evidence of Indebtedness.*

(a) *Revolving Loans.* The obligation of Borrower to repay the Revolving Loans made by each Lender and to pay interest thereon shall be evidenced by a Revolving Credit Note, payable to the order of such Lender in the principal amount of its Revolving Credit Commitment, or, if less, the aggregate unpaid principal amount of Revolving Loans made hereunder by such Lender.

(b) *Swing Loans.* The obligation of Borrower to repay the Swing Loans and to pay interest thereon shall be evidenced by a Swing Line Note, payable to the order of Agent in the principal amount of the Swing Line Commitment, or, if less, the aggregate unpaid principal amount of Swing Loans made hereunder by Agent.

Section 2.06 *Payment on Notes, Etc.*

(a) *Payments Generally.* Each payment made hereunder by Borrower shall be made without any offset, abatement, recoupment, counterclaim, withholding or reduction whatsoever.

(b) *Payments in Alternate Currency.* With respect to any Alternate Currency Loan, all payments (including prepayments) to any Lender of the principal of or interest on such Alternate Currency Loan shall be made in the same Alternate Currency as the original Loan. All such payments shall be remitted by Borrower to Agent at Agent's main office (or at such other office or account as designated in writing by Agent to Borrower) for the account of the Lenders not later than 11:00 A.M. (Cleveland, Ohio time) on the due date thereof in same day funds. Any payments received by Agent after 11:00 A.M. (Cleveland, Ohio time) shall be deemed to have been made and received on the next following Business Day.

(c) *Payments in Dollars.* With respect to (i) the payment of any Loan (other than an Alternate Currency Loan), or (ii) any other payment to Agent and the Lenders that is not covered by subsection (b) hereof, all such payments (including prepayments) to Agent and the Lenders of the principal of or interest on such Loan or other payment, including but not limited to principal, interest, facility or other fees or any other amount owed by Borrower under this Agreement, shall be made in Dollars. All payments described in this subsection (c) shall be remitted to Agent at its main office for the account of the Lenders not later than 11:00 A.M. (Cleveland, Ohio time) on the due date thereof in immediately available funds. Any such payments received by Agent after 11:00 A.M. (Cleveland, Ohio time) shall be deemed to have been made and received on the next following Business Day.

(d) *Payments to Lenders.* Upon Agent's receipt of payments hereunder, Agent shall immediately distribute to each Lender its ratable share, if any, of the amount of principal, interest, and facility and other fees received by it for the account of such Lender. Payments received by Agent in Dollars shall be delivered to the Lenders in Dollars in immediately available funds. Payments received by Agent in any Alternate Currency shall be delivered to the Lenders in such Alternate Currency in same day funds. Each Lender shall record any principal, interest or other payment, the principal amounts of Base Rate Loans and Fixed Rate Loans, the

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type of currency for each Loan, all prepayments and the applicable dates, including Interest Periods, with respect to the Loans made, and payments received by such Lender, by such method as such Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from the obligations of Borrower under the Notes. The aggregate unpaid amount of Loans, types of Loans, Interest Periods and similar information with respect to such Loans set forth on the records of Agent shall be rebuttably presumptive evidence with respect to such information, including the amounts of principal and interest owing and unpaid on each Note.

(e) *Timing of Payments.* Whenever any payment to be made hereunder, including, without limitation, any payment to be made on any Note, shall be stated to be due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in each case be included in the computation of the interest payable on such Note; provided, however, that, with respect to any Fixed Rate Loan, if the next succeeding Business Day falls in the succeeding calendar month, such payment shall be made on the preceding Business Day and the relevant Interest Period shall be adjusted accordingly.

Section 2.07 *Payments Net of Taxes.*

(a) *General Provisions.* All payments under this Agreement or any other Loan Document by Borrower or any other Obligor shall be made absolutely without deduction or offset for, and altogether free and clear of, any and all Taxes. If Borrower or such other Obligor shall be compelled by law to deduct or withhold for any such Taxes, then Borrower or such Obligor, as the case may be, shall pay such additional amounts as may be necessary in order that the net payments after such deduction, and after giving effect to any United States or foreign jurisdiction (or any state or political subdivision thereof) income taxes required to be paid by the Lenders in respect of such additional amounts, shall equal the amount of interest provided in Section 2.04 hereof for each Loan plus any principal then due.

(b) *Alternate Currency Transactions.* All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for any Tax, present or future, imposed by any taxing authority in any jurisdiction. If Borrower shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Lender such additional amounts as shall be necessary to cause such Lender actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) Borrower shall give to such Lender the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of Borrower, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) Borrower shall indemnify and save such Lender harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising

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from non-payment of such Tax) to which such Lender may be exposed or that it may incur, by reason of Borrower's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this subsection (b) hereof.

Section 2.08 *Prepayment.*

(a) *Right to Prepay.*

(i) Subject to the provisions of Section 2.08(b) below, Borrower shall have the right, at any time or from time to time, to prepay, on a pro rata basis for all of the Lenders, all or any part of the outstanding principal amount of Revolving Loans, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment; and

(ii) Subject to the provisions of Section 2.08(b) below, Borrower shall have the right, at any time or from time to time, to prepay, for the benefit of Agent (and any Lender that has purchased a participation in such Swing Loan), all or any part of the outstanding principal amount of Swing Loans, as designated by Borrower, plus interest accrued on the amount so prepaid to the date of such prepayment.

(b) *Prepayment Fees.*

(i) *Base Rate Loans.* Prepayments of Base Rate Loans shall be without any premium or penalty.

(ii) *Fixed Rate Loans.* In any case of prepayment of a Fixed Rate Loan prior to the last date of the applicable Interest Period, Borrower agrees that if the reinvestment rate, as quoted by the money desk of Agent (and determined by such money desk with respect to its cost of funds for the remaining portion of the applicable Interest Period) (the "*Reinvestment Rate*"), shall be lower than the Alternate Currency Rate or Eurodollar Rate applicable to such Fixed Rate Loan that is intended to be prepaid (hereinafter, the "*Current Rate*"), then Borrower shall, upon written notice by Agent, promptly pay to Agent, for the benefit of the Lenders, in immediately available funds, a prepayment fee equal to the product of (a) a rate (the "*Prepayment Rate*") that shall be equal to the difference between the Current Rate and the Reinvestment Rate, times (b) the principal amount of the Fixed Rate Loan that is to be prepaid, times (c) (i) the number of days remaining in the Interest Period of the Fixed Rate Loan that is to be prepaid divided by (ii) 360. In addition, Borrower shall immediately pay to Agent, for the account of the Lenders, the amount of any additional costs or expenses (including, without limitation, cost of telex, wires, or cables) incurred by Agent or the Lenders in connection with the prepayment, upon Borrower's receipt of a written statement from Agent. Each prepayment of a Fixed Rate Loan shall be in the aggregate principal amount of not less than \$5,000,000, except in the case of a mandatory prepayment pursuant to Section 2.12 or Article III hereof.

(iii) *Swing Loans.* In the case of prepayment of a Swing Loan, Borrower agrees to pay to Agent, on demand, for any resulting loss (including loss of anticipated

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profits), cost or expense of Agent as a result thereof, including, without limitation, any loss incurred in obtaining, liquidating or employing deposits.

(c) *Notice of Prepayment.* Borrower shall give Agent written notice of prepayment of any Swing Loan or Base Rate Loan by not later than 11:00 A.M. (Cleveland, Ohio time) on the Business Day such prepayment is to be made and written notice of the prepayment of any Fixed Rate Loan not later than 1:00 P.M. (Cleveland, Ohio time) three Business Days prior to the Business Day on which such prepayment is to be made.

(d) *Minimum Amount.* Each prepayment of (i) a Fixed Rate Loan by Borrower shall be in the aggregate principal amount of not less than \$5,000,000 (or, with respect to an Alternate Currency Loan, the Dollar Equivalent of such amount) and (ii) a Base Rate Loan by Borrower shall be in the aggregate principal amount of not less than \$1,000,000, except in the case of a mandatory prepayment in connection with Section 2.12 hereof or Article III hereof.

(e) *Certificate.* Any Lender seeking reimbursement or indemnification pursuant to any provision of this Section 2.08 shall present a certificate to Borrower setting forth the calculations therefor, which certificate shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

Section 2.09 *Facility and Other Fees.*

(a) Borrower shall pay to Agent, for the ratable account of the Lenders, as a consideration for the Commitment, a facility fee from the Closing Date to and including the last day of the Commitment Period, payable quarterly at a rate per annum equal to (i) the Applicable Facility Fee Rate then in effect, times (ii) the maximum Total Commitment Amount during such quarter. The facility fee shall be payable in arrears, on June 30, 2002 and on the last day of each succeeding September, December, March and June thereafter and on the last day of the Commitment Period.

(b) Borrower shall pay to Agent, for its sole benefit, the fees set forth in the Agent Fee Letter.

Section 2.10 *Reduction of Commitment.*

(a) *Voluntary Reduction.* Borrower may at any time or from time to time permanently reduce in whole or ratably in part the Total Commitment Amount hereunder to an amount not less than the then existing Revolving Credit Exposure, by giving Agent not fewer than three Business Days' notice of such reduction, provided that any such partial reduction shall be in an aggregate amount, for all of the Lenders, of not less than \$10,000,000.

(b) *Mandatory Reduction.* Concurrently with the receipt by Borrower of the proceeds of any Indebtedness pursuant to Section 5.08(h) hereof, the Total Commitment Amount shall be permanently reduced by an amount equal to 50% of such proceeds.

(c) *Notification and Effect.* Agent shall promptly notify each Lender of the date of each reduction of the Commitment pursuant to this Section and such Lender's proportionate share thereof. If the Total Commitment Amount is permanently reduced to zero, on the effective

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date of such reduction (Borrower having prepaid in full the unpaid principal balance, if any, of the Notes, together with all interest and facility and other fees accrued and unpaid), all of the Notes shall be delivered by the Lenders to Agent marked "Canceled" and Agent shall redeliver such Notes to Borrower. Any partial reduction in the Total Commitment Amount shall be effective during the remainder of the Commitment Period.

Section 2.11 *Computation of Interest and Fees.* With the exception of Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest on Loans and facility and other fees and charges hereunder shall be computed on the basis of a year having 360 days and calculated for the actual number of days elapsed. With respect to Alternate Currency Loans made in Pounds Sterling, Canadian Dollars or Australian Dollars and Base Rate Loans, interest shall be computed on the basis of a year having three 365 days or 366 days, as the case may be, and calculated for the actual number of days elapsed.

Section 2.12 *Mandatory Payment.*

(a) If, as of any date, the Revolving Credit Exposure shall exceed the Total Commitment Amount, Borrower shall prepay, by no later than the next Business Day, an aggregate principal amount of the Loans sufficient to bring the Revolving Credit Exposure within the Total Commitment Amount; provided, however, that, notwithstanding the foregoing, if the Dollar Equivalent of the Alternate Currency Exposure has increased during any Interest Period or Interest Periods applicable to Alternate Currency Loans as a result of fluctuations in the exchange rate applicable to the relevant Alternate Currency or Alternate Currencies such that the Revolving Credit Exposure at any time exceeds the Total Commitment Amount, then Borrower shall not be obligated to make a prepayment pursuant to this subpart (a) so long as the Revolving Credit Exposure does not exceed an amount equal to 105% of the Total Commitment Amount.

(b) Concurrently with the receipt by Borrower of the proceeds of any Indebtedness pursuant to Section 5.08(h) hereof, Borrower shall make a prepayment of the Loans in an amount equal to 100% of such proceeds (minus any fees and expenses actually incurred by Borrower in connection with the incurrence of such Indebtedness).

(c) Any prepayment of a Loan pursuant to this Section 2.12 shall be subject to the prepayment fees set forth in Section 2.08 hereof. Unless otherwise specified by Borrower to Agent, each such prepayment shall be applied (i) first, on a pro rata basis, to the outstanding principal balance of the Base Rate Loans, (ii) second, on a pro rata basis, to the outstanding principal balance of the Eurodollar Loans, (iii) third, on a pro rata basis, to the outstanding principal balance of the Alternate Currency Loans, and (iv) fourth, to the outstanding principal balance of the Swing Loans

Section 2.13 *Extension of Commitment.* Contemporaneously with the delivery of the financial statements required pursuant to Section 5.03(b) hereof (beginning with the financial statements for Borrower's fiscal year ending March 31, 2004), Borrower may deliver a Request for Extension, requesting that the Lenders extend the Commitment Period for an additional year. Each such extension shall require the unanimous written consent of all of the Lenders and shall be upon such terms and conditions as may be agreed to by Borrower, Agent, and the Lenders.

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Borrower shall pay any attorneys' fees or other expenses of Agent in connection with the documentation of any such extension, as well as such other fees as may be agreed upon between Borrower and the Lenders.

ARTICLE III.

**ADDITIONAL PROVISIONS RELATING TO FIXED RATE
LOANS; INCREASED CAPITAL; TAXES.**

Section 3.01 *Reserves or Deposit Requirements, Etc.* If, at any time, any law, treaty or regulation (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or the interpretation thereof by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority shall impose (whether or not having the force of law), modify or deem applicable any reserve and/or special deposit requirement (other than reserves included in the Reserve Percentage, the effect of which is reflected in the interest rate(s) of the Fixed Rate Loan(s) in question) against assets held by, or deposits in or for the amount of any Fixed Rate Loan by, any Lender, and the result of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to such Lender of making or maintaining hereunder such Fixed Rate Loan or to reduce the amount of principal or interest received by such Lender with respect to such Fixed Rate Loan, then, upon demand by such Lender, Borrower shall pay to such Lender from time to time on Interest Adjustment Dates with respect to such Fixed Rate Loan, as additional consideration hereunder, additional amounts sufficient to fully compensate and indemnify such Lender for such increased cost or reduced amount, assuming (which assumption such Lender need not corroborate) such additional cost or reduced amount was allocable to such Fixed Rate Loan. A certificate as to the increased cost or reduced amount as a result of any event mentioned in this Section 3.01, setting forth the calculations therefor, shall be promptly submitted by such Lender to Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof. Notwithstanding any other provision of this Agreement, after any such demand for compensation by any Lender, Borrower, upon at least three Business Days' prior written notice to such Lender through Agent, may prepay any affected Fixed Rate Loan in full or, with respect to Eurodollar Loans, convert such Eurodollar Loan to a Base Rate Loan regardless of the Interest Period thereof. Any such prepayment or conversion shall be subject to the prepayment fees set forth in Section 2.08 hereof. Each Lender shall notify Borrower as promptly as practicable (with a copy thereof delivered to Agent) of the existence of any event that will likely require the payment by Borrower of any such additional amount under this Section.

Section 3.02 *Tax Law, Etc.*

(a) In the event that by reason of any law, regulation or requirement or in the interpretation thereof by an official authority, or the imposition of any requirement of any central bank whether or not having the force of law, any Lender shall, with respect to this Agreement or any transaction under this Agreement, be subjected to any tax, levy, impost, charge, fee, duty, deduction or withholding of any kind whatsoever (other than taxes imposed on or measured by the income of any Lender, or franchise taxes imposed on such Lender, by any jurisdiction in which such Lender is organized or in which such Lender is resident or doing business) and if any

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such measures or any other similar measure shall result in an increase in the cost to such Lender of making or maintaining any Fixed Rate Loan or in a reduction in the amount of principal, interest or facility fee receivable by such Lender in respect thereof, then such Lender shall promptly notify Borrower stating the reasons therefor. Borrower shall thereafter pay to such Lender, as additional consideration hereunder, such additional amounts as shall fully compensate such Lender for such increased cost or reduced amount. Borrower shall pay such amounts within five Business Days upon demand therefor from any such Lender that shall have provided to Borrower a certificate as to any such increased cost or reduced amount, setting forth the calculations therefor, which certificate shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

(b) Notwithstanding any other provision of this Agreement, after any such demand for compensation by any Lender, Borrower, upon at least three Business Days' prior written notice to such Lender through Agent, may prepay any affected Fixed Rate Loan in full or, with respect to Eurodollar Loans, convert such Eurodollar Loan to a Base Rate Loan regardless of the Interest Period of any thereof. Any such prepayment or conversion shall be subject to the prepayment fees set forth in Section 2.08 hereof.

Section 3.03 *Eurodollar or Alternate Currency Deposits Unavailable or Interest Rate Unascertainable.* In respect of any Fixed Rate Loan, in the event that Agent shall have determined that (a) for Eurodollar Loans, that Dollar deposits or (b) for Alternate Currency Loans, that deposits of the relevant Alternate Currency, of the relevant amount for the relevant Interest Period for such Fixed Rate Loan are not available to Agent in the applicable Dollar or Alternate Currency market, as the case may be, or that, by reason of circumstances affecting such market, adequate and reasonable means do not exist for ascertaining the applicable Eurodollar Rate or Alternate Currency Rate applicable to such Interest Period, as the case may be, Agent shall promptly give notice of such determination to Borrower and (i) any notice of a new Eurodollar Loan or Alternate Currency Loan, as the case may be, (or conversion of an existing Base Rate Loan to a Eurodollar Loan) previously given by Borrower and not yet borrowed (or converted, as the case may be) shall be deemed a notice to make a Base Rate Loan, and (ii) Borrower shall be obligated either to prepay, or with respect to a Eurodollar Loan, to convert to a Base Rate Loan, any outstanding Fixed Rate Loan on the last day of the then current Interest Period with respect thereto.

Section 3.04 *Indemnity.* Without prejudice to any other provision of this Agreement, Borrower hereby agrees to indemnify each Lender against any loss or expense that such Lender may sustain or incur as a consequence of (a) any default by Borrower in payment when due of any amount hereunder in respect of any Fixed Rate Loan, or (b) the failure by Borrower to consummate the borrowing of any Fixed Rate Loan after making a request therefor, including, but not limited to, any loss of profit, premium or penalty incurred by such Lender in respect of funds borrowed by it for the purpose of making or maintaining such Fixed Rate Loan, as determined by such Lender in the exercise of its sole but reasonable discretion. A certificate as to any such loss or expense shall be promptly submitted by such Lender to Borrower and shall, in the absence of manifest error, be conclusive and binding as to the amount thereof.

Section 3.05 *Changes in Law Rendering Fixed Rate Loans Unlawful.* If at any time any new law, treaty or regulation, or any change in any existing law, treaty or regulation, or any

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interpretation thereof by any governmental or other regulatory authority charged with the administration thereof, shall make it unlawful for any Lender to fund any Fixed Rate Loan that it is committed to make hereunder in any Alternate Currency or Dollars, as the case may be, the commitment of such Lender to fund such Fixed Rate Loan shall, upon the happening of such event, forthwith be suspended for the duration of such illegality, and such Lender shall by written notice to Borrower and Agent declare that its commitment with respect to such Fixed Rate Loan has been so suspended and, if and when such illegality ceases to exist, such suspension shall cease and such Lender shall similarly notify Borrower and Agent. If any such change shall make it unlawful for any Lender to continue in effect the funding in the applicable Eurodollar or Alternate Currency market, as the case may be, of any Fixed Rate Loan previously made by it hereunder, such Lender shall, upon the happening of such event, notify Borrower, Agent and the other Lenders thereof in writing stating the reasons therefor, and Borrower shall, on the earlier of (a) the last day of the then current Interest Period or (b) if required by such law, regulation or interpretation, on such date as shall be specified in such notice, either convert such Fixed Rate Loan (if a Eurodollar Loan) to a Base Rate Loan or prepay such Fixed Rate Loan to the Lenders in full. Any such prepayment or conversion shall be subject to the prepayment fees described in Section 2.08 hereof.

Section 3.06 *Funding.* Each Lender may, but shall not be required to, make Fixed Rate Loans hereunder with funds obtained outside the United States.

Section 3.07 *Capital Adequacy.* If any Lender shall have determined, after the Closing Date, that the adoption of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Lender (or its lending office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Lender's capital (or the capital of its holding company) as a consequence of its obligations hereunder to a level below that which such Lender (or its holding company) could have achieved but for such adoption, change or compliance (taking into consideration such Lender's policies or the policies of its holding company with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, within 15 days after demand by such Lender (with a copy to Agent), Borrower shall pay to such Lender such additional amount or amounts as shall compensate such Lender (or its holding company) for such reduction. Each Lender shall designate a different lending office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Lender, be otherwise disadvantageous to such Lender. A certificate of any Lender claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Lender may use any reasonable averaging and attribution methods. Failure on the part of any Lender to demand compensation for any reduction in return on capital with respect to any period shall not constitute a waiver of such Lender's rights to demand compensation for any reduction in return on capital in such period or in any other period. The protection of this Section shall be available to each Lender regardless of any possible contention of the invalidity or inapplicability of the law, regulation or other condition that shall have been imposed.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants that the statements set forth in this Article IV are true, correct and complete:

Section 4.01 *Corporate Existence; Subsidiaries; Foreign Qualification.*

(a) Each Company is an entity duly organized, validly existing, and in good standing under the laws of its state of organization and is duly qualified and authorized to do business and is in good standing as a foreign entity in each jurisdiction where the character of its property or its business activities makes such qualification necessary, except where the failure to so qualify would not have a Material Adverse Effect.

(b) *Schedule 4.01* hereto sets forth (i) the state of organization of Borrower, and (ii) each state or other jurisdiction in which Borrower is qualified to do business as a foreign corporation.

(c) *Schedule 4.01* hereto sets forth (i) each Subsidiary of Borrower and each Subsidiary of each other Company, (ii) such Subsidiary's state of organization, (iii) each state or other jurisdiction in which such Subsidiary is qualified to do business as a foreign entity, and (iv) the direct or indirect ownership of Borrower in such Subsidiary.

Section 4.02 *Corporate Authority.* Borrower has the right and power and is duly authorized and empowered to enter into, execute and deliver the Loan Documents to which it is a party and to perform and observe the provisions of the Loan Documents. The Loan Documents to which Borrower is a party have been duly authorized and approved by Borrower's Board of Directors and are the valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms. The execution, delivery and performance of the Loan Documents will not conflict with nor result in any breach in any of the provisions of, or constitute a default under, or result in the creation of any Lien (other than Liens permitted under Section 5.09 hereof) upon any assets or property of any Company under the provisions of such Company's Organizational Documents or any agreement.

Section 4.03 *Compliance With Laws.* Each Company:

(a) holds permits, certificates, licenses, orders, registrations, franchises, authorizations, and other approvals from federal, state, local, and foreign governmental and regulatory bodies necessary for the conduct of its business and is in compliance with all applicable laws relating thereto, except where the failure to do so would not have or result in a Material Adverse Effect;

(b) is in compliance with all federal, state, local, or foreign applicable statutes, rules, regulations, and orders including, without limitation, those relating to environmental protection, occupational safety and health, and equal employment practices, except where the failure to do so would not have or result in a Material Adverse Effect; and

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(c) is not in violation of or in default under any agreement to which it is a party or by which its assets are subject or bound, except with respect to any violation or default that would not have or result in a Material Adverse Effect.

Section 4.04 *Litigation and Administrative Proceedings.* Except as disclosed on *Schedule 4.04* hereto, there are (a) no lawsuits, actions, investigations, or other proceedings pending or threatened against any Company, or in respect of which any Company may have any liability, in any court or before any governmental authority, arbitration board, or other tribunal, (b) no orders, writs, injunctions, judgments, or decrees of any court or government agency or instrumentality to which any Company is a party or by which the property or assets of any Company are bound, and (c) no grievances, disputes, or controversies outstanding with any union or other organization of the employees of any Company, or threats of work stoppage, strike, or pending demands for collective bargaining, which, as to subsections (a) through (c) hereof, would have or would be reasonably expected to have a Material Adverse Effect.

Section 4.05 *Title to Assets.* Each Company has good title to and ownership of all property it purports to own, which property is free and clear of all Liens, except those permitted under Section 5.09 hereof.

Section 4.06 *Liens and Security Interests.* On and after the Closing Date, except for Liens permitted pursuant to Section 5.09 hereof, (a) to best of Borrower's knowledge, there is no financing statement (other than a precautionary financing statement filed in connection with any true operating lease) outstanding covering any personal property of any Company; (b) there is no mortgage outstanding covering any real property of any Company; and (c) no real or personal property of any Company is subject to any security interest or Lien of any kind other than any security interest or Lien that may be granted to Agent, for the benefit of the Lenders. No Company has entered into any contract or agreement (other than an Excluded Agreement) that exists on or after the Closing Date that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of any Company.

Section 4.07 *Tax Returns.* All foreign, federal, state and local tax returns and other reports required by law to be filed in respect of the income, business, properties and employees of each Company have been filed and all taxes, assessments, fees and other governmental charges that are due and payable have been paid, except where the failure to do so does not and will not cause or result in a Material Adverse Effect or where such tax returns, taxes, assessments, fees or other governmental charges are being contested in good faith by such Company. The provision for taxes on the books of each Company is adequate for all years not closed by applicable statutes and for the current fiscal year.

Section 4.08 *Environmental Laws.* Each Company is in compliance with any and all Environmental Laws, including, without limitation, all Environmental Laws in all jurisdictions in which any Company owns or operates, or has owned or operated, a facility or site, arranges or has arranged for disposal or treatment of hazardous substances, solid waste or other wastes, accepts or has accepted for transport any hazardous substances, solid waste or other wastes or holds or has held any interest in real property or otherwise, except where the failure to do so would not have a Material Adverse Effect. No litigation or proceeding arising under, relating to

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or in connection with any Environmental Law is pending or, to the best knowledge of each Company, threatened, against any Company, any real property in which any Company holds or has held an interest or any past or present operation of any Company which, if determined adversely, would have a Material Adverse Effect. No release, threatened release or disposal of hazardous waste, solid waste or other wastes is occurring, or has occurred (other than those that are currently being cleaned up in accordance with Environmental Laws), on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law, except where such release or disposal would not have a Material Adverse Effect. As used in this Section, “litigation or proceeding” means any demand, claim, notice, suit, suit in equity, action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or otherwise.

Section 4.09 *Employee Benefits Plans.* Each ERISA Plan is identified on *Schedule 4.09* hereto. No ERISA Event has occurred prior to the Closing Date that is unresolved and no other ERISA Event has occurred or is expected to occur with respect to an ERISA Plan. Full payment has been made of all amounts which a Controlled Group member is required, under applicable law or under the governing documents, to have been paid as a contribution to or a benefit under each ERISA Plan. The liability of each Controlled Group member with respect to each ERISA Plan has been fully funded based upon reasonable and proper actuarial assumptions, has been fully insured, or has been fully reserved for on its financial statements. No changes have occurred or are expected to occur that would cause a material increase in the cost of providing benefits under the ERISA Plan. With respect to each ERISA Plan that is intended to be qualified under Code Section 401(a): (a) the ERISA Plan and any associated trust operationally comply with the applicable requirements of Code Section 401(a), (b) the ERISA Plan and any associated trust have been amended to comply with all such requirements as currently in effect, other than those requirements for which a retroactive amendment can be made within the “remedial amendment period” available under Code Section 401(b) (as extended under Treasury Regulations and other Treasury pronouncements upon which taxpayers may rely), (c) the ERISA Plan and any associated trust have received a favorable determination letter from the Internal Revenue Service stating that the ERISA Plan qualifies under Code Section 401(a), that the associated trust qualifies under Code Section 501(a) and, if applicable, that any cash or deferred arrangement under the ERISA Plan qualifies under Code Section 401(k), unless the ERISA Plan was first adopted at a time for which the above-described “remedial amendment period” has not yet expired, (d) the ERISA Plan currently satisfies the requirements of Code Section 410(b), without regard to any retroactive amendment that may be made within the above-described “remedial amendment period”, and (e) no contribution made to the ERISA Plan is subject to an excise tax under Code Section 4972. With respect to any Pension Plan, except as set forth on *Schedule 4.09* hereto, the “accumulated benefit obligation” of Controlled Group members with respect to the Pension Plan (as determined in accordance with Statement of Accounting Standards No. 87, “Employers’ Accounting for Pensions”) does not exceed the fair market value of Pension Plan assets.

Section 4.10 *Consents or Approvals.* No consent, approval or authorization of, or filing, registration or qualification with, any governmental authority or any other Person is required to be obtained or completed by Borrower in connection with the execution, delivery or performance of any of the Loan Documents, that has not already been obtained or completed.

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Section 4.11 *Solvency*. Borrower has received consideration that is the reasonable equivalent value of the obligations and liabilities that Borrower has incurred to the Lenders. Borrower is not insolvent as defined in any applicable state or federal statute, nor will Borrower be rendered insolvent by the execution and delivery of the Loan Documents to Agent and the Lenders. Borrower is not engaged or about to engage in any business or transaction for which the assets retained by it are or will be an unreasonably small amount of capital, taking into consideration the obligations to Agent and the Lenders incurred hereunder. Borrower does not intend to, nor does it believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 4.12 *Financial Statements*. The audited Consolidated financial statements of Borrower for the fiscal year ended March 31, 2001, and the unaudited interim Consolidated financial statements of Borrower for the fiscal quarter ended December 31, 2001, furnished to Agent and the Lenders, are true and complete, have been prepared in accordance with GAAP, and fairly present the financial condition of the Companies as of the date of such financial statements and the results of their operations for the period then ending. Since the dates of such statements, there has been no material adverse change in any Company's financial condition, properties or business nor any change in any Company's accounting procedures.

Section 4.13 *Regulations*. Borrower is not engaged principally or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any "margin stock" (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System of the United States of America). Neither the granting of any Loan (or any conversion thereof) nor the use of the proceeds of any Loan will violate, or be inconsistent with, the provisions of Regulation U or X of such Board of Governors.

Section 4.14 *Material Agreements*. Except as disclosed in Borrower's most recent quarterly or annual statement required to be filed with the SEC, no Company is a party to any material agreement that, if violated, breached, or terminated for any reason, would have or would be reasonably expected to have a Material Adverse Effect.

Section 4.15 *Intellectual Property*. Each Company owns, possesses, or has the right to use all of the patents, patent applications, trademarks, service marks, copyrights, licenses, and rights with respect to the foregoing necessary for the conduct of its business without any known conflict with the rights of others, except where the failure to do so would not have a Material Adverse Effect or, with respect to any known conflict, if such conflict were determined adversely to such Company, would not have a Material Adverse Effect.

Section 4.16 *Insurance*. Each Company maintains with financially sound and reputable insurers insurance with coverage and limits as required by law and as is customary with persons engaged in the same businesses as the Companies.

Section 4.17 *Investment Company; Holding Company*. No Company is (a) an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended, or (b) subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, each as amended, or any foreign, federal, state or local statute or regulation limiting its ability to incur Indebtedness.

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Section 4.18 *Accurate and Complete Statements.* Neither the Loan Documents nor any written statement made by any Company in connection with any of the Loan Documents contains any untrue statement of a material fact or omits a material fact necessary to make the statements contained therein or in the Loan Documents not misleading. After due inquiry by Borrower, there is no known fact that any Company has not disclosed to Agent and the Lenders that has or would have a Material Adverse Effect.

Section 4.19 *Defaults.* No Default or Event of Default exists hereunder, nor will any begin to exist immediately after the execution and delivery hereof.

ARTICLE V.

COVENANTS

Borrower agrees that so long as the Commitment remains in effect and thereafter until all of the Debt shall have been paid in full, Borrower shall perform and observe, and shall cause each other Company to perform and observe, each of the following provisions:

Section 5.01 *Insurance.* Each Company shall (a) maintain insurance to such extent and against such hazards and liabilities as is commonly maintained by Persons similarly situated; and (b) within ten days of any Lender's written request, furnish to such Lender such information about such Company's insurance as that Lender may from time to time reasonably request, which information shall be prepared in form and detail satisfactory to such Lender and certified by a Financial Officer of such Company.

Section 5.02 *Money Obligations.* Each Company shall pay in full (a) prior in each case to the date when penalties would attach, all taxes, assessments and governmental charges and levies (except only those so long as and to the extent that the same shall be contested in good faith by appropriate and timely proceedings and for which adequate reserves have been established in accordance with GAAP) for which it may be or become liable or to which any or all of its properties may be or become subject; (b) all of its wage obligations to its employees in compliance with the Fair Labor Standards Act (29 U.S.C. §§ 206–207) or any comparable provisions; and (c) all of its other obligations calling for the payment of money (except only those so long as and to the extent that the same shall be contested in good faith and for which adequate reserves have been established in accordance with GAAP) before such payment becomes overdue.

Section 5.03 *Financial Statements.* Borrower shall furnish to Agent and each Lender:

(a) within 45 days after the end of each of the first three quarterly periods of each fiscal year of Borrower, balance sheets of Borrower as of the end of such period and statements of income (loss), stockholders' equity and cash flow for the quarter and fiscal year to date periods, all prepared on a Consolidated basis, in accordance with GAAP, and in form and detail satisfactory to Agent and the Lenders and certified by a Financial Officer;

(b) within 90 days after the end of each fiscal year of Borrower, an annual audit report of Borrower for that year prepared on a Consolidated basis, in accordance with GAAP,

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and in form and detail satisfactory to Agent and certified by an independent public accountant satisfactory to Agent and the Required Lenders, which report shall include balance sheets and statements of income (loss), stockholders' equity and cash-flow for that period, together with a certificate by the accountant setting forth any Defaults and Events of Default coming to its attention during the course of its audit or, if none, a statement to that effect;

(c) concurrently with the delivery of the financial statements in (a) and (b) above, a Compliance Certificate;

(d) within 90 days after the end of each fiscal year of Borrower, commencing with the fiscal year ending March 31, 2003, annual pro-forma projections of Borrower and its Subsidiaries for the then current fiscal year and the next three succeeding fiscal years, to be in form acceptable to Agent;

(e) as soon as available, copies of all notices, reports, definitive proxy or other statements and other documents sent by Borrower to its shareholders, to the holders of any of its debentures or bonds or the trustee of any indenture securing the same or pursuant to which they are issued, or sent by Borrower (in final form) to any securities exchange or over the counter authority or system, or to the SEC or any similar federal agency having regulatory jurisdiction over the issuance of Borrower's securities; and

(f) within ten days of the written request of Agent or any Lender, such other information about the financial condition, properties and operations of any Company as Agent or such Lender may from time to time reasonably request, including, without limitation, consolidating financial statements of the Companies, which information shall be submitted in form and detail satisfactory to Agent or such Lender and certified by a Financial Officer of the Company or Companies in question.

Section 5.04 *Financial Records.* Each Company shall keep proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of Borrower or such Subsidiaries, as the case may be, in accordance with GAAP, in the case of Borrower, or which are reconcilable to a GAAP presentation, in the case of any Subsidiary.

Section 5.05 *Franchises.* Each Company shall preserve and maintain at all times its existence, rights and franchises, except as otherwise permitted pursuant to Section 5.12 hereof.

Section 5.06 *ERISA Compliance.* No Company shall incur any material accumulated funding deficiency within the meaning of ERISA, or any material liability to the PBGC, established thereunder in connection with any ERISA Plan. Borrower shall furnish to the Lenders (a) as soon as possible and in any event within 30 days after any Company knows or has reason to know that any Reportable Event with respect to any ERISA Plan has occurred, a statement of a Financial Officer of such Company, setting forth details as to such Reportable Event and the action that such Company proposes to take with respect thereto, together with a copy of the notice of such Reportable Event given to the PBGC if a copy of such notice is available to such Company, and (b) promptly after receipt thereof a copy of any notice such Company, or any member of the Controlled Group may receive from the PBGC or the Internal

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Revenue Service with respect to any ERISA Plan administered by such Company; provided, that this latter clause shall not apply to notices of general application promulgated by the PBGC or the Internal Revenue Service, except for ministerial errors or other minor compliance errors. Borrower shall promptly notify the Lenders of any material taxes assessed, proposed to be assessed or that Borrower has reason to believe may be assessed against a Company by the Internal Revenue Service with respect to any ERISA Plan. As used in this Section "material" means the measure of a matter of significance that shall be determined as being an amount equal to 5% of the Consolidated Net Worth of Borrower. As soon as practicable, and in any event within 20 days, after any Company becomes aware that an ERISA Event has occurred, such Company shall provide Agent with notice of such ERISA Event with a certificate by a Financial Officer of such Company setting forth the details of the event and the action such Company or another Controlled Group member proposes to take with respect thereto. Borrower shall, at the request of Agent, deliver or cause to be delivered to Agent, true and correct copies of any documents relating to the ERISA Plan of any Company.

Section 5.07 *Financial Covenants.*

(a) *Leverage Ratio.* Borrower shall not suffer or permit at any time the Leverage Ratio to be greater than 3.00 to 1.00.

(b) *Interest Coverage Ratio.* Borrower shall not suffer or permit at any time the Interest Coverage Ratio to be less than 3.00 to 1.00.

(c) *Net Worth.* Borrower shall not suffer or permit its Consolidated Net Worth at any time, based upon the financial statements of the Companies for the most recently completed fiscal quarter, to fall below the current minimum amount required, which current minimum amount required shall be \$414,777,000 on the Closing Date through March 30, 2002, with such current minimum amount required to be positively increased (disregarding any fiscal quarter in which there is a net loss) by the Increase Amount on March 31, 2002, and by an additional Increase Amount on the last day of each fiscal quarter thereafter. As used herein, the term "*Increase Amount*" means an amount equal to (i) 50% of the positive Consolidated Net Earnings of the Companies for the fiscal quarter then ended, plus (ii) 100% of the proceeds from any equity offering by any Company or any debt offering of any Company to the extent actually converted to equity.

Section 5.08 *Borrowing.* No Company shall create, incur or have outstanding any Indebtedness of any kind; provided, that this Section shall not apply to any of the following (without duplication):

(a) the Loans or any other Indebtedness incurred to Agent or the Lenders pursuant to this Agreement;

(b) Indebtedness in connection with any Approved Derivatives Contract;

(c) Indebtedness (including any capital lease obligation) secured by the Liens described in Section 5.09(d) hereof, so long as the aggregate principal amount of all such Indebtedness outstanding at any time for all Companies does not exceed an amount equal to 10% of the Consolidated Net Worth of Borrower for the most recently completed fiscal quarter;

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- (d) loans to a Company from a Company so long as each such Company is Borrower or a Guarantor of Payment;
- (e) Permitted Foreign Subsidiary Loans and Investments;
- (f) Permitted Third-Party Guaranties;
- (g) Permitted Insurance Subsidiary Loans and Investments

(h) unsecured Indebtedness of Borrower incurred pursuant to a Debt Placement subsequent to the Closing Date, provided that (i) the aggregate principal amount of the Indebtedness incurred pursuant to such Debt Placement shall not exceed \$100,000,000 at any time, (ii) the maturity date of the Indebtedness incurred pursuant to such Debt Placement shall be no earlier than the date that is 90 days after the last day of the Commitment Period as then in effect, (iii) the covenants and agreements relating to the Indebtedness incurred pursuant to such Debt Placement are not more restrictive than the covenants and agreements set forth in this Agreement, (iv) concurrently with the receipt by Borrower of any proceeds of the Indebtedness incurred pursuant to such Debt Placement, Borrower shall comply with the provisions of Section 2.10(b) and Section 2.12(b) hereof, and (v) if any Indebtedness incurred pursuant to such Debt Placement is to be Subordinated Indebtedness, such Subordinated Indebtedness shall be subject to a subordination agreement or other subordination provisions satisfactory to Agent and the Required Lenders; or

(i) unsecured Indebtedness of Borrower or any of the Guarantors of Payment, provided that (i) the covenants and agreements relating to such Indebtedness are not more restrictive than the covenants and agreements set forth in this Agreement, (ii) Borrower shall be in pro forma compliance with Section 5.07 hereof after giving effect to the incurrence of such Indebtedness, (ii) if any such Indebtedness is to be Subordinated Indebtedness, such Subordinated Indebtedness shall be subject to a subordination agreement or other subordination provisions satisfactory to Agent and the Required Lenders, (iii) such Indebtedness shall not have been incurred in connection with a Debt Placement or under or in connection with another committed bank credit facility that involves obligations for borrowed money, and (iv) no Company (other than Borrower and the Guarantors of Payment) shall be liable, whether directly or indirectly, for any part of such Indebtedness.

Section 5.09 *Liens*. No Company shall create, assume or suffer to exist any Lien upon any of its property or assets, whether now owned or hereafter acquired; provided that this Section shall not apply to the following:

(a) Liens for taxes not yet due or that are being actively contested in good faith by appropriate proceedings and for which adequate reserves have been established in accordance with GAAP;

(b) other statutory Liens incidental to the conduct of its business or the ownership of its property and assets that (i) were not incurred in connection with the borrowing of money or the obtaining of advances or credit, and (ii) do not in the aggregate materially detract from the value of its property or assets or materially impair the use thereof in the operation of its business;

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(c) Liens on property or assets of a Subsidiary to secure obligations of such Subsidiary to Borrower or a Guarantor of Payment;

(d) purchase money Liens on fixed assets securing the loans pursuant to Section 5.08(c) hereof and capitalized leases, provided that such Lien is limited to the purchase price and only attaches to the property being acquired;

(e) easements or other minor defects or irregularities in title of real property not interfering in any material respect with the use of such property in the business of any Company;

(f) Liens set forth on *Schedule 5.09* hereto; or

(g) any Lien granted to Agent, for the benefit of the Lenders.

No Company shall enter into any contract or agreement (other than an Excluded Agreement) that would prohibit Agent or the Lenders from acquiring a security interest, mortgage or other Lien on, or a collateral assignment of, any of the property or assets of a Company.

Section 5.10 *Regulations U and X*. No Company shall take any action that would result in any non-compliance of the Loans with Regulations U and X, or any other applicable regulation, of the Board of Governors of the Federal Reserve System.

Section 5.11 *Investments and Loans*. No Company shall (a) create, acquire or hold any Subsidiary, (b) make or hold any investment in any stocks, bonds or securities of any kind, (c) be or become a party to any joint venture or other partnership without the prior written consent of Agent and the Required Lenders, (d) make or keep outstanding any advance or loan to any Person, or (e) be or become a Guarantor of any kind; provided, that this Section shall not apply to:

(i) any endorsement of a check or other medium of payment for deposit or collection through normal banking channels or similar transaction in the normal course of business;

(ii) investments by the Companies in Cash Equivalents;

(iii) the holding of Subsidiaries listed on *Schedule 4.01* hereto and the creation, acquisition and holding of any new Subsidiary after the Closing Date, so long as such new Subsidiary is created, acquired or held in accordance with the terms and conditions of this Agreement, including, without limitation, Section 5.12, Section 5.13, and Section 5.20 hereof;

(iv) loans to a Company from a Company, or investments in a Company by a Company, so long as each such Company is Borrower or a Guarantor of Payment;

(v) Permitted Foreign Subsidiary Loans and Investments;

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(vi) guarantees of Indebtedness of the Companies incurred or permitted pursuant to this Agreement (including any guaranty of the Indebtedness permitted pursuant to Section 5.08 hereof);

(vii) any advance or loan to an officer or employee of a Company made in the ordinary course of such Company's business, so long as all such advances and loans from all Companies aggregate not more than the maximum principal sum of \$7,500,000 at any time outstanding;

(viii) any Permitted Third Party Investment;

(ix) Acquisitions permitted pursuant to Section 5.13 hereof; or

(x) Permitted Insurance Subsidiary Loans and Investments.

Section 5.12 *Mergers and Asset Sales.* No Company shall merge or consolidate with any other Person or (except as specifically permitted pursuant to Section 5.13 hereof) sell, lease, transfer, or otherwise dispose of any of its property or assets outside the ordinary course of business, except that if no Default or Event of Default shall then exist or immediately thereafter shall begin to exist:

(a) any Subsidiary may merge or consolidate with (i) Borrower (provided that Borrower shall be the continuing or surviving Person) or (ii) any one or more Guarantors of Payment, provided that either (A) the continuing or surviving Person shall be a Wholly-Owned Subsidiary that is a Guarantor of Payment, or (B) after giving effect to any merger pursuant to this sub-clause (ii), Borrower and/or one or more Wholly-Owned Subsidiaries that are Guarantors of Payment shall own not less than the same percentage of the outstanding Voting Power of the continuing or surviving Person as Borrower and/or one or more Wholly-Owned Subsidiaries that are Guarantors of Payment owned of the merged Subsidiary immediately prior to such merger;

(b) any Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to (i) Borrower, (ii) any Wholly-Owned Subsidiary that is a Guarantor of Payment, or (iii) any Guarantor of Payment, of which Borrower and/or one or more Wholly-Owned Subsidiaries, which are Guarantors of Payment, shall own not less than the same percentage of Voting Power as Borrower and/or one or more Wholly-Owned Subsidiaries (which are Guarantors of Payment) then own of the Subsidiary making such sale, lease, transfer or other disposition;

(c) in addition to any merger or consolidation permitted pursuant to subsection (a) above, any Foreign Subsidiary may merge or consolidate with any other Foreign Subsidiary;

(d) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsection (b) above, any Foreign Subsidiary may sell, lease, transfer or otherwise dispose of any of its assets to any one or more Foreign Subsidiaries; and

(e) in addition to any sale, lease, transfer or other disposition permitted pursuant to subsections (b) and (d) above, any Company may sell (including any sale in connection with any sale-leaseback transaction), lease, transfer or otherwise dispose of any of its assets to any Person,

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so long as the aggregate fair market value of all such assets sold, leased, transferred or otherwise disposed of by all Companies does not exceed \$75,000,000 for the period from the Closing Date until the last day of the Commitment Period.

Section 5.13 *Acquisitions*. No Company shall effect an Acquisition unless:

(a) no Default or Event of Default then exists or will exist immediately thereafter;

(b) the Acquisition is made by (i) Borrower or a Guarantor of Payment and Borrower or such Guarantor of Payment is the surviving entity of such Acquisition (in the case of a merger, consolidation or other combination) or the Person to be acquired becomes a Guarantor of Payment promptly after such Acquisition (in the case of the acquisition of the stock (or other equity interest) of a Person), or (ii) a Foreign Subsidiary;

(c) (i) with respect to any Acquisition where the aggregate Consideration involved equals or exceeds \$10,000,000, Borrower provides to Agent and the Lenders, as early as possible and, in any event, not fewer than five days prior to the date of consummation of such Acquisition, (A) written notice reasonably describing such Acquisition and the Consideration involved therewith, and (B) historical financial statements of such Person and a pro forma financial statement of the Companies accompanied by a certificate of a Financial Officer of Borrower showing (1) pro forma compliance with Section 5.07 hereof, both before and after such Acquisition, and (2) that the Leverage Ratio will not exceed 2.75 to 1.00 on a pro forma basis immediately after such Acquisition; and (ii) with respect to any Acquisition where the aggregate Consideration involved is less than \$10,000,000, Borrower provides (A) written notice reasonably describing such Acquisition and the Consideration involved therewith, and (B) a certificate of a Financial Officer of Borrower showing that the Leverage Ratio will not exceed 2.75 to 1.00 on a pro forma basis immediately after such Acquisition. For purposes of calculating pro forma compliance with Section 5.07 hereof, Borrower shall exclude the value of any assumed operating synergies.

Section 5.14 *Share Repurchases*. Borrower shall not make any Share Repurchase; provided, however, that, so long as no Default or Event of Default exists or would exist immediately thereafter, Borrower may make Share Repurchases so long as the aggregate amount all Share Repurchases made since the Closing Date does not exceed \$65,000,000 at any time.

Section 5.15 *Notice*. Borrower shall cause a Financial Officer to promptly notify Agent and the Lenders whenever:

(a) any Default or Event of Default may occur hereunder; or

(b) any representation or warranty made in Article IV hereof or elsewhere in this Agreement or in any Related Writing may for any reason cease in any material respect to be true and complete.

Section 5.16 *Environmental Compliance*. Each Company shall comply in all respects with any and all Environmental Laws including, without limitation, all Environmental Laws in jurisdictions in which any Company owns or operates a facility or site, arranges for disposal or treatment of hazardous substances, solid waste or other wastes, accepts for transport any

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hazardous substances, solid waste or other wastes or holds any interest in real property or otherwise, except where a failure to so comply would not have a Material Adverse Effect. Borrower shall furnish to the Lenders, promptly after receipt thereof, a copy of any notice any Company may receive from any governmental authority, private Person or otherwise that any material litigation or proceeding pertaining to any environmental, health or safety matter has been filed or is threatened against such Company, any real property in which such Company holds any interest or any past or present operation of such Company. No Company shall allow the release or disposal of hazardous waste, solid waste or other wastes on, under or to any real property in which any Company holds any interest or performs any of its operations, in violation of any Environmental Law. As used in this Section, "*litigation or proceeding*" means any demand, claim, notice, suit, suit in equity action, administrative action, investigation or inquiry whether brought by any governmental authority, private Person or otherwise. Borrower shall defend, indemnify and hold Agent and the Lenders harmless against all costs, expenses, claims, damages, penalties and liabilities of every kind or nature whatsoever (including attorneys' fees) arising out of or resulting from the noncompliance of any Company with any Environmental Law. Such indemnification shall survive any termination of this Agreement.

Section 5.17 *Affiliate Transactions.* No Company shall, or shall permit any Subsidiary to, directly or indirectly, enter into or permit to exist any transaction (including, without limitation, the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of a Company on terms that are less favorable to such Company or such Subsidiary, as the case may be, than those that might be obtained at the time in a transaction with a non-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 a Company or any Affiliate of a Company; or (b) any transaction between a Company and another Company that Borrower reasonably determines in good faith is beneficial to Borrower and its Affiliates as a whole and that is not entered into for the purpose of hindering the exercise by Agent or the Lenders of their rights or remedies under this Agreement.

Section 5.18 *Use of Proceeds.* Borrower's use of the proceeds of the Loans shall be solely for working capital and other general corporate purposes of Borrower and its Subsidiaries, Acquisitions permitted pursuant to this Agreement, and as support for a commercial paper program instituted by Borrower.

Section 5.19 *Corporate Names.* Neither Borrower nor any Guarantor of Payment shall change its corporate name, unless, in each case, Borrower shall provide Agent with prompt written notice thereof.

Section 5.20 *Subsidiary Guaranties.* Each Subsidiary created, acquired or held on or subsequent to the Closing Date, shall immediately become a party to the Guaranty of Payment and the Contribution Agreement and shall deliver such corporate governance and authorization documents and an opinion of counsel as may be deemed necessary or advisable by Agent and the Required Lenders; provided, however, that (a) the Insurance Subsidiary shall not be required to execute a Guaranty of Payment, (b) a Foreign Subsidiary shall not be required to execute a Guaranty of Payment, and (c) a Subsidiary shall not be required to execute a Guaranty of Payment if (i) the total assets (based on the book value of such assets as determined in accordance with GAAP) of such Subsidiary are less than \$1,000,000, and (ii) the aggregate

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amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all such Subsidiaries with total assets less than \$1,000,000 does not exceed the aggregate amount of \$5,000,000 at any time. Borrower shall provide Agent and the Lenders with prompt written notice in the event that (x) any Subsidiary (that is not already a Guarantor of Payment) has total assets (based on the book value of such assets as determined in accordance with GAAP) in excess of \$1,000,000, or (y) the aggregate amount of the total assets (based on the book value of such assets as determined in accordance with GAAP) of all Subsidiaries (that are not already Guarantors of Payment) with total assets less than \$1,000,000 exceeds the aggregate amount of \$5,000,000.

Section 5.21 *Pledge of Stock of Foreign Subsidiaries.* Each Company that creates, acquires or holds a Foreign Subsidiary on or subsequent to the Closing Date, shall immediately execute and deliver to Agent a Pledge Agreement pursuant to which such Company shall pledge to Agent, for the benefit of the Lenders, 65% of the capital stock (or other equity interest) of such Foreign Subsidiary; provided, however, that no Foreign Subsidiary shall be required to pledge the stock or other equity interest of any other Foreign Subsidiary.

Section 5.22 *Other Covenants.* In the event that Borrower shall enter into, or shall have entered into, any Material Indebtedness Agreement, wherein the covenants (excluding any such covenants relating to the maintenance or preservation of real or personal property) contained therein are more restrictive than the covenants set forth herein, then Borrower shall be bound hereunder by such covenants with the same force and effect as if such covenants and agreements were written herein.

Section 5.23 *Amendment of Organizational Documents.* Neither Borrower nor any Guarantor of Payment shall amend its Organizational Documents in any manner that would affect the validity or enforceability of any Loan Document without the prior written consent of Agent and the Required Banks.

Section 5.24 *Guaranties of Payment; Guaranty Under Material Indebtedness Agreement.* Neither Borrower nor any Domestic Subsidiary shall be or become a Guarantor of any Indebtedness incurred pursuant to any Material Indebtedness Agreement unless such Company is also a Guarantor of Payment under this Agreement prior to or concurrently therewith.

Section 5.25 *Pari Passu Ranking.* The Debt shall, and Borrower shall take all necessary action to ensure that the Debt shall, at all times rank at least pari passu in right of payment (to the fullest extent permitted by law) with all other senior unsecured Indebtedness of Borrower and each Guarantor of Payment.

Section 5.26 *Supplements to Schedules.* If the information set forth in Schedule 4.01 or *Schedule 4.09* hereof becomes incomplete or incorrect, Borrower shall deliver to Agent and the Lenders a new schedule that contains the accurate information required thereon, and such new schedule shall, upon delivery to Agent and the Lenders, be deemed a part of this Agreement without any further action or amendment hereto.

ARTICLE VI.

CONDITIONS PRECEDENT

Section 6.01 *All Credit Events.* The obligation of any Lender to participate in any Credit Event is conditioned, in the case of each such Credit Event, upon the following:

- (a) all conditions precedent listed in Section 6.02 hereof shall have been satisfied;
- (b) Borrower shall have submitted a Notice of Loan and otherwise complied with the requirements of Section 2.03 hereof;
- (c) no Default or Event of Default shall then exist or immediately after such Credit Event would exist; and
- (d) each of the representations and warranties contained in Article IV hereof shall be true and correct with the same force and effect as if made on and as of the date of such Credit Event, except to the extent that any thereof expressly relate to an earlier date.

Each request by Borrower with respect to any Credit Event shall be deemed to be a representation and warranty by Borrower as of the date of such request as to the facts specified in subparts (c) and (d) above.

Section 6.02 *Effectiveness of Agreement.* The obligation of the Lenders to participate in the first Credit Event is subject to the satisfaction of the following conditions:

- (a) *Notes.* Borrower shall have executed and delivered to each Lender its Revolving Credit Note and shall have executed and delivered to Agent the Swing Line Note.
- (b) *Guaranty of Payment and Contribution Agreement.* The Guarantors of Payment shall have executed and delivered to Agent (i) the Guaranty of Payment and (ii) the Contribution Agreement.
- (c) *Pledge Agreement and UCC Financing Statements.* Each Company that has a Foreign Subsidiary and is not itself a Foreign Subsidiary shall have executed and delivered to Agent a Pledge Agreement pursuant to which such Company shall pledge to Agent, for the benefit of the Lenders, 65% of the capital stock (or other equity interest) of each such Foreign Subsidiary, and shall have taken all such actions necessary to grant to Agent, for the benefit of the Lenders, a first preferred security interest in or pledge of such stock (or other equity interest). In addition, each Company that is executing a Pledge Agreement shall authorize Agent to file UCC financing statements, in form and substance satisfactory to Agent, with respect to the collateral pledged under each such Pledge Agreement.
- (d) *Officer's Certificate, Resolutions, Organizational Documents.* Borrower and each Guarantor of Payment shall have delivered to Agent an officer's certificate certifying the names of the officers of Borrower or such Guarantor of Payment authorized to sign the Loan Documents to which each is a party, together with the true signatures of such officers and certified copies of (i) the resolutions of the board of directors of Borrower and each Guarantor of

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Payment evidencing approval of the execution and delivery of the Loan Documents and the execution of other Related Writings to which Borrower or such Guarantor of Payment, as the case may be, is a party, and (ii) the Organizational Documents of Borrower and each Guarantor of Payment.

(e) *Legal Opinion.* Borrower shall have delivered to Agent an opinion of counsel for Borrower and each Guarantor of Payment, in form and substance satisfactory to Agent and the Lenders.

(f) *Good Standing and Full Force and Effect Certificates.* Borrower shall have delivered to Agent a good standing certificate or full force and effect certificate, as the case may be, for Borrower and each Guarantor of Payment, issued on or about the Closing Date by the Secretary of State in the state where Borrower or such Guarantor of Payment is incorporated and in each state in which Borrower or such Guarantor of Payment is qualified as a foreign entity and in which the failure to so qualify would have a Material Adverse Effect.

(g) *Closing Certificate.* Borrower shall have delivered to Agent an officer's certificate certifying that, as of the Closing Date, (i) all conditions precedent set forth in this Section 6.02 have been satisfied, (ii) no Default or Event of Default exists nor immediately after the making of the first Loan will exist, and (iii) each of the representations and warranties contained in Article IV hereof are true and correct as of the Closing Date.

(h) *Closing and Legal Fees; Agent Fee Letter.* Borrower shall have (i) executed and delivered to Agent, the Agent Fee Letter and paid to Agent, for its sole benefit, the fees set forth therein, (ii) executed and delivered to Agent, for the benefit of the Lenders, the Closing Fee Letter and paid to each of the Lenders the fees set forth therein, and (iii) paid all legal fees and expenses of Agent in connection with the preparation and negotiation of the Loan Documents.

(i) *Lien Searches.* With respect to the property owned or leased by Borrower and each Guarantor of Payment, Borrower shall have delivered to Agent (i) the results of U.C.C. lien searches, satisfactory to Agent and the Lenders; (ii) the results of federal and state tax lien and judicial lien searches, satisfactory to Agent and the Lenders; and (iii) U.C.C. termination statements reflecting termination of all financing statements previously filed by any other party having a security interest not permitted pursuant to this Agreement.

(j) *Existing Credit Agreement.* Borrower shall have terminated the Credit Agreement among Borrower, KeyBank National Association, as agent, and the lending institutions a party thereto, dated as of June 19, 2000, as amended, which termination shall be deemed to have occurred upon payment in full of all of the Indebtedness outstanding thereunder and termination of the commitments established therein.

(k) *No Material Adverse Change.* No material adverse change, in the opinion of Agent, shall have occurred in the financial condition, operations or prospects of the Companies since March 31, 2001.

(l) *Miscellaneous.* Borrower shall have provided to Agent and the Lenders such other items and shall have satisfied such other conditions as may be reasonably required by Agent or the Lenders.

ARTICLE VII.

EVENTS OF DEFAULT

Each of the following shall constitute an Event of Default hereunder:

Section 7.01 *Payments.* If (a) the interest on any Note or any facility or other fee payable under this Agreement shall not be paid in full when due and payable or within five days thereafter or (b) the principal of any Note shall not be paid in full punctually when due and payable.

Section 7.02 *Special Covenants.* If any Company or any Obligor shall fail or omit to perform and observe Sections 5.07, 5.08, 5.09, 5.11, 5.12, 5.13, 5.14, 5.15, 5.18, 5.24, or 5.25 hereof.

Section 7.03 *Other Covenants.* If any Company or any Obligor shall fail or omit to perform and observe any agreement or other provision (other than those referred to in Sections 7.01, 7.02, or 7.03(a) hereof) contained or referred to in this Agreement or any Related Writing that is on such Company's or Obligor's part, as the case may be, to be complied with, and that Default shall not have been fully corrected within 30 days after the receipt by Borrower of written notice of such default from the Agent or the Required Lenders (any such notice to be identified as a "notice of default" and to refer specifically to this paragraph).

Section 7.04 *Representations and Warranties.* If any representation, warranty or statement made in or pursuant to this Agreement or any Related Writing or any other material information furnished by any Company or any Obligor to the Lenders or any thereof or any other holder of any Note, shall be false or erroneous in any material respect.

Section 7.05 *Cross Default.* If any Company shall default (a) in the payment of principal, interest or fees due and owing with respect to any Material Indebtedness Agreement beyond any period of grace provided with respect thereto, or (b) in the performance or observance of any other agreement, term or condition contained in any Material Indebtedness Agreement, if the effect of such default is to allow the acceleration of the maturity of such Indebtedness or to permit the holder thereof to cause such Indebtedness to become due prior to its stated maturity.

Section 7.06 *ERISA Default.* The occurrence of one or more ERISA Events that (a) the Required Lenders determine could have a Material Adverse Effect or (b) results in a Lien on any of the assets of any Company, in excess of \$50,000 for all such Liens.

Section 7.07 *Change in Control.* If any Change in Control shall occur.

Section 7.08 *Money Judgment.* A final judgment or order for the payment of money shall be rendered against any Company or any Obligor by a court of competent jurisdiction, that remains unpaid or unstayed and undischarged for a period (during which execution shall not be effectively stayed) of 30 days after the date on which the right to appeal has expired, provided that the aggregate of all such judgments for all such Companies and Obligors shall exceed \$10,000,000.

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Section 7.09 *Validity of Loan Documents.* (a) Any material provision, in the reasonable opinion of Agent, of any Loan Document shall at any time for any reason cease to be valid and binding and enforceable against Borrower or any Guarantor of Payment; (b) the validity, binding effect or enforceability of any Loan Document against Borrower or any Guarantor of Payment shall be contested by any Company; (c) Borrower or any Guarantor of Payment shall deny that it has any or further liability or obligation thereunder; or (d) any Loan Document shall be terminated, invalidated or set aside, or be declared ineffective or inoperative or in any way cease to give or provide to Agent and the Lenders the benefits purported to be created thereby.

Section 7.10 *Solvency.* If any Company (other than a Subsidiary with total assets (based on the book value of such assets as determined in accordance with GAAP) less than \$1,000,000) shall (a) except as permitted pursuant to Section 5.12 hereof, discontinue business, (b) generally not pay its debts as such debts become due, (c) make a general assignment for the benefit of creditors, (d) apply for or consent to the appointment of a receiver, a custodian, a trustee, an interim trustee or liquidator of all or a substantial part of its assets, (e) be adjudicated a debtor or have entered against it an order for relief under Title 11 of the United States Code, as the same may be amended from time to time, (f) file a voluntary petition in bankruptcy, or have an involuntary proceeding filed against it and the same shall continue undismissed for a period of 60 days from commencement of such proceeding or case, or file a petition or an answer seeking reorganization or an arrangement with creditors or seeking to take advantage of any other law (whether federal or state) relating to relief of debtors, or admit (by answer, by default or otherwise) the material allegations of a petition filed against it in any bankruptcy, reorganization, insolvency or other proceeding (whether federal or state) relating to relief of debtors, (g) suffer or permit to continue unstayed and in effect for 60 consecutive days any judgment, decree or order entered by a court of competent jurisdiction, that approves a petition seeking its reorganization or appoints a receiver, custodian, trustee, interim trustee or liquidator of all or a substantial part of its assets, or (h) take, or omit to take, any action in order thereby to effect any of the foregoing.

ARTICLE VIII.

REMEDIES UPON DEFAULT

Section 8.01 *Optional Defaults.* If any Event of Default referred to in Section 7.01, Section 7.02, Section 7.03, Section 7.04, Section 7.05, Section 7.06, Section 7.07, Section 7.08 or Section 7.09 hereof shall occur, Agent may, with the consent of the Required Lenders, and shall, at the request of the Required Lenders, give written notice to Borrower, to:

(a) terminate the Commitment and the credits hereby established, if not previously terminated, and, immediately upon such election, the obligations of the Lenders, and each thereof, to make any further Loan and the obligation of Agent to make any Swing Loan hereunder immediately shall be terminated, and/or

(b) accelerate the maturity of all of the Debt (if the Debt is not already due and payable), whereupon all of the Debt shall become and thereafter be immediately due and payable

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in full without any presentment or demand and without any further or other notice of any kind, all of which are hereby waived by Borrower.

Section 8.02 *Automatic Defaults.* If any Event of Default referred to in Section 7.10 hereof shall occur:

(a) all of the Commitment and the credits hereby established shall automatically and immediately terminate, if not previously terminated, and no Lender thereafter shall be under any obligation to grant any further Loan, nor shall Agent be obligated to make any Swing Loan, hereunder, and

(b) the outstanding principal, interest and any other amounts on all of the Notes, and all of the other Debt, shall thereupon become and thereafter be immediately due and payable in full (if the Debt is not already due and payable), all without any presentment, demand or notice of any kind, which are hereby waived by Borrower.

Section 8.03 *Offsets.* In addition to the rights and remedies of Agent and the Lenders provided elsewhere in this Agreement or in any other Loan Document, or otherwise provided in law or equity, if there shall occur or exist any Event of Default referred to in Section 7.10 hereof or if the maturity of the Notes is accelerated pursuant to Section 8.01 or Section 8.02 hereof, Agent and each Lender (and such Lender's affiliates) shall have the right at any time to set off against, and to appropriate and apply toward the payment of, any and all Debt then owing by Borrower to Agent or that Lender (including, without limitation, any participation purchased or to be purchased pursuant to Section 2.02(b) or Section 8.04 hereof), whether or not the same shall then have matured, any and all deposit balances and all other indebtedness then held or owing by Agent or that Lender (and such Lender's affiliates) to or for the credit or account of Borrower or any Guarantor of Payment, all without notice to or demand upon Borrower or any other Person, all such notices and demands being hereby expressly waived by Borrower.

Section 8.04 *Equalization Provision.* Each Lender agrees with the other Lenders that if it, at any time, shall obtain any Advantage over the other Lenders or any thereof in respect of the Debt (except as to Swing Loans and except under Article III hereof), it shall purchase from the other Lenders, for cash and at par, such additional participation in the Debt as shall be necessary to nullify the Advantage. If any such Advantage resulting in the purchase of an additional participation as aforesaid shall be recovered in whole or in part from the Lender receiving the Advantage, each such purchase shall be rescinded, and the purchase price restored (but without interest unless the Lender receiving the Advantage is required to pay interest on the Advantage to the Person recovering the Advantage from such Lender) ratably to the extent of the recovery. Each Lender further agrees with the other Lenders that if it at any time shall receive any payment for or on behalf of Borrower on any indebtedness owing by Borrower to that Lender by reason of offset of any deposit or other indebtedness, it will apply such payment first to any and all Debt owing by Borrower to that Lender (including, without limitation, any participation purchased or to be purchased pursuant to this Section or any other Section of this Agreement). Borrower agrees that any Lender so purchasing a participation from the other Lenders or any thereof pursuant to this Section may exercise all its rights of payment (including

the right of set-off) with respect to such participation as fully as if such Lender was a direct creditor of Borrower in the amount of such participation.

ARTICLE IX.

THE AGENT

The Lenders authorize KeyBank National Association and KeyBank National Association hereby agrees to act as agent for the Lenders in respect of this Agreement upon the terms and conditions set forth elsewhere in this Agreement, and upon the following terms and conditions:

Section 9.01 *Appointment and Authorization.* Each Lender hereby irrevocably appoints and authorizes Agent to take such action as agent on its behalf and to exercise such powers hereunder as are delegated to Agent by the terms hereof, together with such powers as are reasonably incidental thereto. Neither Agent nor any of its affiliates, directors, officers, attorneys or employees shall be liable for any action taken or omitted to be taken by it or them hereunder or in connection herewith, except for its or their own gross negligence or willful misconduct.

Section 9.02 *Note Holders.* Agent may treat the payee of any Note as the holder thereof until written notice of transfer shall have been filed with it, signed by such payee and in form satisfactory to Agent.

Section 9.03 *Consultation With Counsel.* Agent may consult with legal counsel selected by it and shall not be liable for any action taken or suffered in good faith by it in accordance with the opinion of such counsel.

Section 9.04 *Documents.* Agent shall not be under any duty to examine into or pass upon the validity, effectiveness, genuineness or value of any Loan Documents or any other Related Writing furnished pursuant hereto or in connection herewith or the value of any collateral obtained hereunder, and Agent shall be entitled to assume that the same are valid, effective and genuine and what they purport to be.

Section 9.05 *Agent and Affiliates.* With respect to the Loans, Agent shall have the same rights and powers hereunder as any other Lender and may exercise the same as though it were not Agent, and Agent and its affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Company or any affiliate thereof.

Section 9.06 *Knowledge of Default.* It is expressly understood and agreed that Agent shall be entitled to assume that no Default or Event of Default has occurred, unless Agent has been notified by a Lender in writing that such Lender believes that a Default or Event of Default has occurred and is continuing and specifying the nature thereof.

Section 9.07 *Action by Agent.* Subject to the other terms and conditions hereof, so long as Agent shall be entitled, pursuant to Section 9.06 hereof, to assume that no Default or Event of Default shall have occurred and be continuing, Agent shall be entitled to use its

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discretion with respect to exercising or refraining from exercising any rights that may be vested in it by, or with respect to taking or refraining from taking any action or actions that it may be able to take under or in respect of, this Agreement. Agent shall incur no liability under or in respect of this Agreement by acting upon any notice, certificate, warranty or other paper or instrument believed by it to be genuine or authentic or to be signed by the proper party or parties, or with respect to anything that it may do or refrain from doing in the reasonable exercise of its judgment, or that may seem to it to be necessary or desirable in the premises.

Section 9.08 *Notices, Default, Etc.* In the event that Agent shall have acquired actual knowledge of any Default or Event of Default, Agent shall promptly notify the Lenders and shall take such action and assert such rights under this Agreement as the Required Lenders shall direct and Agent shall inform the other Lenders in writing of the action taken. Subject to the other terms and conditions hereof, Agent may take such action and assert such rights as it deems to be advisable, in its discretion, for the protection of the interests of the holders of the Notes.

Section 9.09 *Indemnification of Agent.* The Lenders agree to indemnify Agent (to the extent not reimbursed by Borrower) ratably, according to their respective Commitment Percentages, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent in its capacity as agent in any way relating to or arising out of this Agreement or any Loan Document or any action taken or omitted by Agent with respect to this Agreement or any Loan Document, provided that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements resulting from Agent's gross negligence, willful misconduct or from any action taken or omitted by Agent in any capacity other than as agent under this Agreement.

Section 9.10 *Successor Agent.* Agent may resign as agent hereunder by giving not fewer than 30 days prior written notice to Borrower and the Lenders. If Agent shall resign under this Agreement, then either (a) the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders (with the consent of Borrower so long as an Event of Default has not occurred and which consent shall not be unreasonably withheld), or (b) if a successor agent shall not be so appointed and approved within the 30 day period following Agent's notice to the Lenders of its resignation, then Agent shall appoint a successor agent that shall serve as agent until such time as the Required Lenders appoint a successor agent. Upon its appointment, such successor agent shall succeed to the rights, powers and duties as agent, and the term "Agent" shall mean such successor effective upon its appointment, and the former agent's rights, powers and duties as agent shall be terminated without any other or further act or deed on the part of such former agent or any of the parties to this Agreement.

Section 9.11 *Other Agent.* Neither the Documentation Agent nor any Co-Agent shall have any duties or responsibilities hereunder in their respective agency capacities.

ARTICLE X.

MISCELLANEOUS

Section 10.01 *Lenders' Independent Investigation.* Each Lender, by its signature to this Agreement, acknowledges and agrees that Agent has made no representation or warranty, express or implied, with respect to the creditworthiness, financial condition, or any other condition of any Company or with respect to the statements contained in any information memorandum furnished in connection herewith or in any other oral or written communication between Agent and such Lender. Each Lender represents that it has made and shall continue to make its own independent investigation of the creditworthiness, financial condition and affairs of the Companies in connection with the extension of credit hereunder, and agrees that Agent has no duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto (other than such notices as may be expressly required to be given by Agent to the Lenders hereunder), whether coming into its possession before the granting of the first Loans hereunder or at any time or times thereafter.

Section 10.02 *No Waiver; Cumulative Remedies.* No omission or course of dealing on the part of Agent, any Lender or the holder of any Note in exercising any right, power or remedy hereunder or under any of the Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder or under any of the Loan Documents. The remedies herein provided are cumulative and in addition to any other rights, powers or privileges held by operation of law, by contract or otherwise.

Section 10.03 *Amendments, Consents.* No amendment, modification, termination, or waiver of any provision of any Loan Document nor consent to any variance therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. Anything herein to the contrary notwithstanding, unanimous consent of the Lenders affected thereby shall be required with respect to (a) any increase in the Commitment hereunder, (b) the extension of maturity of the Notes, the payment date of interest or principal thereunder, or the payment of facility or other fees or amounts payable hereunder, (c) any reduction in the rate of interest on the Notes, or in any amount of principal or interest due on any Note, or the payment of facility or other fees hereunder or any change in the manner of pro rata application of any payments made by Borrower to the Lenders hereunder, (d) any change in any percentage voting requirement, voting rights, or the Required Lenders definition in this Agreement, (e) the release of any collateral securing any part of the Debt or the release of any Guarantor of Payment, except for the release of any collateral or any Guarantor of Payment in connection with a transaction expressly permitted pursuant to this Agreement, or (f) any amendment to this Section 10.03 or Section 8.04 hereof. Notice of amendments or consents ratified by the Lenders hereunder shall immediately be forwarded by Borrower to all Lenders. Each Lender or other holder of a Note shall be bound by any amendment, waiver or consent obtained as authorized by this Section, regardless of its failure to agree thereto. In addition, Section 10.13 hereof may not be amended without the prior written consent of any Designating Lender, as defined in Section 10.13 hereof, affected thereby.

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Section 10.04 *Notices.* All notices, requests, demands and other communications provided for hereunder shall be in writing addressed to each party at the address specified on the signature pages of this Agreement, or, as to each party, at such other address as shall be designated by such party in a written notice to each of the other parties. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

Section 10.05 *Costs, Expenses and Taxes.* Borrower agrees to pay on demand all costs and expenses of Agent, including, but not limited to, (a) syndication, administration, travel and out-of-pocket expenses, including but not limited to attorneys' fees and expenses, of Agent in connection with the preparation, negotiation and closing of the Loan Documents and the administration of the Loan Documents, the collection and disbursement of all funds hereunder and the other instruments and documents to be delivered hereunder, (b) extraordinary expenses of Agent in connection with the administration of the Loan Documents and the other instruments and documents to be delivered hereunder, and (c) the reasonable fees and out-of-pocket expenses of special counsel for Agent, with respect to the foregoing, and of local counsel, if any, who may be retained by said special counsel with respect thereto. Borrower also agrees to pay on demand all costs and expenses of Agent and the Lenders, including reasonable attorneys' fees, in connection with the restructuring or enforcement of the Debt, this Agreement or any Related Writing. In addition, Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of the Loan Documents, and the other instruments and documents to be delivered hereunder, and agrees to hold Agent and each Lender harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes or fees.

Section 10.06 *Indemnification.* Borrower agrees to defend, indemnify and hold harmless Agent and the Lenders (and their respective affiliates, officers, directors, attorneys, agents and employees) from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses (including attorneys' fees) or disbursements of any kind or nature whatsoever that may be imposed on, incurred by or asserted against Agent or any Lender in connection with any investigative, administrative or judicial proceeding (whether or not such Lender or Agent shall be designated a party thereto) or any other claim by any Person relating to or arising out of any Loan Document or any actual or proposed use of proceeds of the Loans or any of the Debt, or any activities of any Company or any Obligor or any of their respective Affiliates; provided that no Lender nor Agent shall have the right to be indemnified under this Section for its own gross negligence or willful misconduct as determined by a court of competent jurisdiction. All obligations provided for in this Section 10.06 shall survive any termination of this Agreement.

Section 10.07 *Obligations Several; No Fiduciary Obligations.* The obligations of the Lenders hereunder are several and not joint. Nothing contained in this Agreement and no action taken by Agent or the Lenders pursuant hereto shall be deemed to constitute the Lenders a partnership, association, joint venture or other entity. No default by any Lender hereunder shall

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excuse the other Lenders from any obligation under this Agreement; but no Lender shall have or acquire any additional obligation of any kind by reason of such default. The relationship among Borrower and the Lenders with respect to the Loan Documents and the Related Writings is and shall be solely that of debtor and creditors, respectively, and neither Agent nor any Lender shall have any fiduciary obligation toward Borrower with respect to any such documents or the transactions contemplated thereby.

Section 10.08 *Execution in Counterparts.* This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement.

Section 10.09 *Binding Effect; Borrower's Assignment.* This Agreement shall become effective when it shall have been executed by Borrower, Agent and by each Lender and thereafter shall be binding upon and inure to the benefit of Borrower, Agent and each of the Lenders and their respective successors and assigns, except that Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of Agent and all of the Lenders.

Section 10.10 *Assignments.*

(a) Each Lender shall have the right, in accordance with the terms and conditions of this Section 10.10, at any time or times to assign to one or more commercial banks, finance companies, insurance companies or other financial institution or fund which, in each case, in the ordinary course of business extends credit of the type contemplated herein and whose becoming an assignee would not constitute a prohibited transaction under Section 4975 of ERISA, without recourse, all or a percentage of all of such Lender's Commitment, all Loans made by such Lender, such Lender's Notes, and such Lender's interest in any participation purchased pursuant to Section 2.02(b) or Section 8.04 hereof.

(b) No assignment may be consummated pursuant to this Section 10.10 without the prior written consent of Borrower and Agent (other than an assignment by any Lender to any affiliate of such Lender which affiliate is either wholly-owned by such Lender or is wholly-owned by a Person that wholly owns, either directly or indirectly, such Lender), which consent of Borrower and Agent shall not be unreasonably withheld; provided, however, that, Borrower's consent shall not be required if, (i) such assignment is to another Lender, or (ii) at the time of the proposed assignment, any Default or Event of Default shall then exist. Anything herein to the contrary notwithstanding, any Lender may at any time make a collateral assignment of all or any portion of its rights under the Loan Documents to a Federal Reserve Bank, and no such assignment shall release such assigning Lender from its obligations hereunder.

(c) Each assignment made pursuant to this Section 10.10 shall be in a minimum amount of the lesser of \$5,000,000 of the assignor's Commitment and interest herein or the entire amount of the assignor's Commitment and interest herein.

(d) Unless an assignment made pursuant to this Section 10.10 shall be to an affiliate of the assignor or the assignment shall be due to merger of the assignor or for regulatory

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purposes, either the assignor or the assignee shall remit to Agent, for its own account, an administrative fee of \$3,500.

(e) Unless an assignment made pursuant to this Section 10.10 shall be due to merger of the assignor or a collateral assignment for regulatory purposes, the assignor shall (i) cause the assignee to execute and deliver to Borrower and Agent an Assignment Agreement and (ii) execute and deliver, or cause the assignee to execute and deliver, as the case may be, to Agent such additional amendments, assurances and other writings as Agent may reasonably require.

(f) If an assignment made pursuant to this Section 10.10 is to be made to an assignee that is organized under the laws of any jurisdiction other than the United States or any state thereof, the assignor Lender shall cause such assignee, at least five Business Days prior to the effective date of such assignment, (i) to represent to the assignor Lender (for the benefit of the assignor Lender, Agent and Borrower) that under applicable law and treaties no taxes will be required to be withheld by Agent, Borrower or the assignor with respect to any payments to be made to such assignee in respect of the Loans hereunder, (ii) to furnish to the assignor (and, in the case of any assignee registered in the Register (as defined below), Agent and Borrower) either (A) U.S. Internal Revenue Service Form W-8ECI or U.S. Internal Revenue Service Form W-8BEN or (B) United States Internal Revenue Service Form W-8 or W-9, as applicable (wherein such assignee claims entitlement to complete exemption from U.S. federal withholding tax on all interest payments hereunder), and (iii) to agree (for the benefit of the assignor, Agent and Borrower) to provide the assignor Lender (and, in the case of any assignee registered in the Register, Agent and Borrower) a new Form W-8ECI or Form W-8BEN or Form W-8 or W-9, as applicable, upon the expiration or obsolescence of any previously delivered form and comparable statements in accordance with applicable U.S. laws and regulations and amendments duly executed and completed by such assignee, and to comply from time to time with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

(g) Upon satisfaction of all applicable requirements specified in subparts (a) through (f) above, Borrower shall execute and deliver (i) to Agent, the assignor and the assignee, any consent or release (of all or a portion of the obligations of the assignor) required to be delivered by Borrower in connection with the Assignment Agreement, and (ii) to the assignee or the assignor (if applicable), an appropriate Note or Notes. After delivery of the new Note or Notes, the assignor's Note or Notes being replaced shall be returned to Borrower marked "replaced".

(h) Upon satisfaction of all applicable requirements specified in subparts (a) through (f) above, and any other condition contained in this Section 10.10, (i) the assignee shall become and thereafter be deemed to be a "Lender" for the purposes of this Agreement, (ii) the Assignor shall be released from its obligations hereunder to the extent its interest has been assigned, (iii) in the event that the assignor's entire interest has been assigned, the assignor shall cease to be and thereafter shall no longer be deemed to be a "Lender" and (iv) the signature pages hereto and Schedule 1 hereto shall be automatically amended, without further action, to reflect the result of any such assignment.

(i) Agent shall maintain at the address for notices referred to in Section 10.04 hereof a copy of each Assignment Agreement delivered to it and a register (the "Register") for the

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recording of the names and addresses of the Lenders and the Commitment of, and principal amount of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and Borrower, Agent and the Lenders may treat each financial institution whose name is recorded in the Register as the owner of the Loan recorded therein for all purposes of this Agreement. The Register shall be available for inspection by Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

Section 10.11 *Participations.*

(a) Each Lender shall have the right at any time or times, without the consent of Agent or Borrower, to sell one or more participations or sub-participations to a financial institution or other “accredited investor” (as defined in SEC Regulation D), as the case may be, in all or any part of such Lender’s Commitment, such Lender’s Commitment Percentage, any Loan made by such Lender, any Note delivered to such Lender pursuant to this Agreement, and such Lender’s interest in any participation, if any, purchased pursuant to Section 2.02(b), Section 8.04 or this Section 10.11.

(b) The provisions of Article III and Section 10.06 shall inure to the benefit of each purchaser of a participation or sub-participation and Agent shall continue to distribute payments pursuant to this Agreement as if no participation has been sold.

(c) If any Lender shall sell any participation or sub-participation pursuant to this Section 10.11, such Lender shall, as between itself and the purchaser, retain all of its rights (including, without limitation, rights to enforce against Borrower the Loan Documents and the Related Writings) and duties pursuant to the Loan Documents and the Related Writings, including, without limitation, such Lender’s right to approve any waiver, consent or amendment pursuant to Section 10.03, except if and to the extent that any such waiver, consent or amendment would:

(i) reduce any fee or commission allocated to the participation or sub-participation, as the case may be,

(ii) reduce the amount of any principal payment on any Loan allocated to the participation or sub-participation, as the case may be, or reduce the principal amount of any Loan so allocated or the rate of interest payable thereon, or

(iii) extend the time for payment of any amount allocated to the participation or sub-participation, as the case may be.

(d) No participation or sub-participation shall operate as a delegation of any duty of the seller thereof.

(e) Under no circumstance shall any participation or sub-participation be deemed a novation in respect of all or any part of the seller’s obligations pursuant to this Agreement.

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Section 10.12 *Severability of Provisions; Captions; Attachments.* 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 or affecting the validity or enforceability of such provision in any other jurisdiction. The several captions to Sections and subsections herein are inserted for convenience only and shall be ignored in interpreting the provisions of this Agreement. Each schedule or exhibit attached to this Agreement shall be incorporated herein and shall be deemed to be a part hereof.

Section 10.13 *Designation.*

(a) Notwithstanding anything in this Agreement to the contrary, any Lender (a "*Designating Lender*") may grant to one or more special purpose funding vehicles (each an "*SPV*"), identified in writing from time to time by such Designating Lender to Agent and Borrower, the option to provide to Borrower all or any part of any Loan that such Designating Lender would otherwise be obligated to make to Borrower pursuant to this Agreement; provided that (i) nothing in this Section shall constitute a commitment by any SPV to make any Loan, and (ii) if an SPV designated by a Designating Lender to make Loans elects not to exercise such option or otherwise fails to provide all or any part of such Loan, such Designating Lender shall still be obligated to make such Loan pursuant to the terms hereof. The making of a Loan by an SPV hereunder shall reduce the availability under the Commitment of the Designating Lender to the same extent, and as if, such Loan were made by such Designating Lender.

(b) As to any Loans or portion thereof made by an SPV, each such SPV shall have all of the rights that a Lender making such Loans or portion thereof would have under this Agreement; provided, however, that each SPV shall have granted its Designating Lender an irrevocable power of attorney to deliver and receive all communications and notices under this Agreement and any other Loan Document and to exercise, in its reasonable discretion, on behalf of such SPV, all of such SPV's voting rights under this Agreement. No additional Note shall be required to evidence the Loans or portion thereof made by an SPV and the Designating Lender shall be deemed to hold its Note as agent for such SPV to the extent of the Loans or portion thereof funded by such SPV. In addition, any payments for the account of any SPV shall be paid to its respective Designating Lender as agent for such SPV.

(c) Agent, Borrower and the Lenders agree that no SPV shall be liable for an indemnity or payment under this Agreement for which a Lender would otherwise be liable and the Designating Lender shall remain liable for its Commitment Percentage of such indemnity or payment to the extent such Designating Lender would otherwise be liable. In furtherance of the foregoing, Agent, Borrower and each of the Lenders hereby agree (which agreement shall survive the termination of this Agreement) that, prior to the date that is one year and one day after the payment in full of all of the outstanding commercial paper or other senior indebtedness of any SPV, none of Agent, Borrower or any Lender shall institute against, or join any other Person in instituting against, such SPV any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under the laws of the United States or any State thereof.

(d) In addition, notwithstanding anything to the contrary contained in this Section 10.13, or otherwise in this Agreement, any SPV may (i) at any time and without paying any

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processing fee therefor, assign (or grant a participation in) all or a portion of its interest in any Loans to its Designating Lender or to any financial institution providing liquidity and/or credit support to or for the account of such SPV to support the funding or maintenance of Loans, and (ii) disclose on a confidential basis any non-public information relating to the Loans made by such SPV to any rating agency, commercial paper dealer or provider of any surety, guarantee or credit or liquidity enhancements to such SPV. This Section 10.13 may not be amended without the prior written consent of any Designating Lender affected thereby.

Section 10.14 *Judgment Currency.* If Agent, on behalf of the Lenders, obtains a judgment or judgments against Borrower in an Alternate Currency, the obligations of Borrower in respect of any sum adjudged to be due to Agent or the Lenders hereunder or under the Notes (the "*Judgment Amount*") shall be discharged only to the extent that, on the Business Day following receipt by Agent of the Judgment Amount in the Alternate Currency, Agent, in accordance with normal banking procedures, purchases Dollars with the Judgment Amount in such Alternate Currency. If the amount of Dollars so purchased is less than the amount of Dollars that could have been purchased with the Judgment Amount on the date or dates the Judgment Amount (excluding the portion of the Judgment Amount which has accrued as a result of the failure of Borrower to pay the sum originally due hereunder or under the Notes when it was originally due hereunder or under the Notes) was originally due and owing (the "*Original Due Date*") to Agent or the Lenders hereunder or under the Notes (the "*Loss*"), Borrower agrees as a separate obligation and notwithstanding any such judgment, to indemnify Agent or such Lender, as the case may be, against the Loss, and if the amount of Dollars so purchased exceeds the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, Agent or such Lender agrees to remit such excess to Borrower.

Section 10.15 *Investment Purpose.* Each of the Lenders represents and warrants to Borrower that it is entering into this Agreement with the present intention of acquiring any Note issued pursuant hereto for investment purposes only and not for the purpose of distribution or resale, it being understood, however, that each Lender shall at all times retain full control over the disposition of its assets.

Section 10.16 *Entire Agreement.* This Agreement, any Note and any other Loan Document or other agreement, document or instrument attached hereto or executed on or as of the Closing Date integrate all the terms and conditions mentioned herein or incidental hereto and supersede all oral representations and negotiations and prior writings with respect to the subject matter hereof.

Section 10.17 *Governing Law; Submission to Jurisdiction.* This Agreement, each of the Notes and any Related Writing shall be governed by and construed in accordance with the laws of the State of Ohio and the respective rights and obligations of Borrower and the Lenders shall be governed by Ohio law, without regard to principles of conflict of laws. Borrower hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Agreement, the Debt or any Related Writing, and Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Borrower, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action

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or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Borrower agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 10.18 *Legal Representation of Parties.* The Loan Documents were negotiated by the parties with the benefit of legal representation and any rule of construction or interpretation otherwise requiring this Agreement or any other Loan Document to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

Section 10.19 *Source of Funds.* Each of the Lenders hereby severally (and not jointly) represents to Borrower that no part of the funds to be used by such Lender to fund the Loans hereunder from time to time constitutes (a) assets allocated to any separate account maintained by such Lender in which any employee benefit plan (or its related trust) has any interest nor (b) any other assets of any employee benefit plan. As used in this Section, the terms “employee benefit plan” and “separate account” shall have the respective meanings assigned to such terms in Section 3 of ERISA.

[Remainder of page intentionally left blank]

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Section 10.20 *Jury Trial Waiver.* BORROWER, AGENT AND EACH OF THE LENDERS WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

Address: 5960 Heisley Road
Mentor, Ohio 44060
Attn: Chief Financial Officer

STERIS CORPORATION

By: _____
Les C. Vinney, President and Chief
Executive Officer

By: _____
Laurie Brlas, Senior Vice President
and Chief Financial Officer

Address: 127 Public Square
Cleveland, Ohio 44114-1306
Attn: Large Corporate Banking Division

KEYBANK NATIONAL ASSOCIATION,
as Agent, Lead Arranger, Book Runner and
as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

**LASALLE BANK NATIONAL
ASSOCIATION,** as Documentation Agent
and as a Lender

By: _____
Name: _____
Title: _____

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Address: _____

Attn: _____

HARRIS TRUST AND SAVINGS BANK,
as a Co-Agent and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

NATIONAL CITY BANK, as a Co-Agent
and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

THE BANK OF NEW YORK, as a Co-
Agent and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

PNC BANK, NATIONAL ASSOCIATION,
as a Co-Agent and as a Lender

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

BANK ONE, NA

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

FIRSTAR BANK, N.A.

By: _____
Name: _____
Title: _____

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Address: _____

Attn: _____

FLEET NATIONAL BANK

By: _____
Name: _____
Title: _____

Address: _____

Attn: _____

FIRSTMERIT BANK, N.A.

By: _____
Name: _____
Title: _____

Signature Page 3 of 3
to
Credit Agreement for STERIS Corporation

SCHEDULE 1
Lenders and Commitments

<u>Lending Institutions</u>	<u>Revolving Credit Commitment Amount</u>
KeyBank National Association	\$50,000,000
LaSalle Bank National Association	\$45,000,000
Harris Trust and Savings Bank	\$40,000,000
National City Bank	\$35,000,000
The Bank of New York	\$35,000,000
PNC Bank, National Association	\$35,000,000
Bank One, NA	\$30,000,000
Firststar Bank, N.A.	\$25,000,000
Fleet National Bank	\$20,000,000
FirstMerit Bank, N.A.	\$10,000,000
Total Commitment Amount	\$325,000,000

SCHEDULE 2

GUARANTORS OF PAYMENT

Medical & Environmental Designs, Inc., a Missouri corporation

Ecomed, Inc., an Indiana corporation

American Sterilizer Company, a Pennsylvania corporation

STERIS Europe, Inc., a Delaware corporation

STERIS Asia Pacific, 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

EXHIBIT A
REVOLVING CREDIT NOTE

\$

Cleveland, Ohio
March 28, 2002

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION, an Ohio corporation ("*Borrower*") promises to pay on the last day of the Commitment Period (such term, together with each other capitalized term used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement described below), to the order of ("*Lender*") at the Main Office of KEYBANK NATIONAL ASSOCIATION, as Agent, 127 Public Square, Cleveland, Ohio 44114-1306 the principal sum of

.....AND 00/100 DOLLARS

or the aggregate unpaid principal amount of all Revolving Loans made by Lender to Borrower pursuant to Section 2.02 of the Credit Agreement, whichever is less (or, in the event of currency fluctuations on Alternate Currency Loans, such greater amount as may be outstanding), in lawful money of the United States of America, provided, that Alternate Currency Loans shall be payable in the applicable Alternate Currency. In addition, Borrower shall pay any additional amount that is required to be paid pursuant to Section 10.14 of the Credit Agreement. As used herein, "Credit Agreement" means the Credit Agreement dated as of March 28, 2002, among Borrower, the lending institutions named therein and KeyBank National Association, as Agent, as the same may from time to time be amended, restated or otherwise modified.

Borrower also promises to pay interest on the unpaid principal amount of each Revolving Loan from time to time outstanding, from the date of such Revolving Loan until the payment in full thereof, at the rates per annum that shall be determined in accordance with the provisions of Section 2.04 of the Credit Agreement. Such interest shall be payable on each date provided for in such Section 2.04 provided, however, that interest on any principal portion that is not paid when due shall be payable on demand.

The portions of the principal sum hereof from time to time representing Base Rate Loans and Fixed Rate Loans, and payments of principal of any thereof, shall be shown on the records of Lender by such method as Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to

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anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind.

BORROWER WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS NOTE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

STERIS CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT B
SWING LINE NOTE

\$25,000,000.00

Cleveland, Ohio
March 28, 2002

FOR VALUE RECEIVED, the undersigned, STERIS CORPORATION, an Ohio corporation ("Borrower"), promises to pay to the order of KEYBANK NATIONAL ASSOCIATION ("Lender") at the Main Office of KEYBANK NATIONAL ASSOCIATION, Agent, 127 Public Square, Cleveland, Ohio 44114-1306 the principal sum of TWENTY-FIVE MILLION AND 00/100 DOLLARS

or, if less, the aggregate unpaid principal amount of all Swing Loans (such term, together with each other capitalized term used herein and not defined herein shall have the meanings ascribed to them in the Credit Agreement described below) made by Lender to Borrower pursuant to Section 2.02 of the Credit Agreement, in lawful money of the United States of America on the earlier of the last day of the Commitment Period or, with respect to each Swing Loan, the Swing Loan Maturity Date applicable thereto. As used herein, "Credit Agreement" means the Credit Agreement dated as of March 28, 2002, among Borrower, the lending institutions named therein and KeyBank National Association, as Agent, as the same may from time to time be amended, restated or otherwise modified.

Borrower also promises to pay interest on the unpaid principal amount of each Swing Loan from time to time outstanding, from the date of such Swing Loan until the payment in full thereof, at the rates per annum which shall be determined in accordance with the provisions of Section 2.04 of the Credit Agreement. Such interest shall be payable on each date provided for in Section 2.04; provided, however, that interest on any principal portion which is not paid when due shall be payable on demand.

The principal sum hereof from time to time and the payments of principal and interest thereon of either hereof, shall be shown on the records of Lender by such method as Lender may generally employ; provided, however, that failure to make any such entry shall in no way detract from Borrower's obligations under this Note.

If this Note shall not be paid at maturity, whether such maturity occurs by reason of lapse of time or by operation of any provision for acceleration of maturity contained in the Credit Agreement, the principal hereof and the unpaid interest thereon shall bear interest, until paid, at a rate per annum equal to the Default Rate. All payments of principal of and interest on this Note shall be made in immediately available funds.

This Note is the Swing Line Note referred to in the Credit Agreement. Reference is made to the Credit Agreement for a description of the right of the undersigned to anticipate payments hereof, the right of the holder hereof to declare this Note due prior to its stated maturity, and other terms and conditions upon which this Note is issued.

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Except as expressly provided in the Credit Agreement, Borrower expressly waives presentment, demand, protest and notice of any kind.

BORROWER WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS NOTE OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED THERETO.

STERIS CORPORATION

By: _____

Name: _____

Title: _____

Exhibit B - 2

NOTICE OF LOAN

[Date] , 20

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114-0616
Attention: _____

Ladies and Gentlemen:

The undersigned, STERIS CORPORATION, an Ohio corporation, refers to the Credit Agreement, dated as of March 28, 2002 ("*Credit Agreement*", the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.03 of the Credit Agreement that the undersigned hereby requests a Loan under the Credit Agreement, and in connection therewith sets forth below the information relating to the Loan (the "*Proposed Loan*") as required by Section 2.03 of the Credit Agreement:

- (a) The Business Day of the Proposed Loan is _____, 20__.
- (b) The amount of the Proposed Loan is \$_____.
- (c) The Proposed Loan is to be a Base Rate Loan _____/Eurodollar Loan _____/Alternate Currency Loan _____/Swing Loan _____. (Check one.)
- (d) If the Proposed Loan is an Alternate Currency Loan, the Alternate Currency requested is _____.
- (e) If the Proposed Loan is a Fixed Rate Loan, the Interest Period requested is one month _____, two months _____, three months _____, six months _____. (Check one.)

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Loan:

- (i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Proposed Loan and the application of the proceeds therefrom, as though made on and as of such date;
- (ii) no event has occurred and is continuing, or would result from such Proposed Loan, or the application of proceeds therefrom, that constitutes a Default or Event of Default; and

(iii) the conditions set forth in Section 2.03 and Article VI of the Credit Agreement have been satisfied.

Very truly yours,

STERIS CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT D
COMPLIANCE CERTIFICATE

For Fiscal Quarter ended _____

THE UNDERSIGNED HEREBY CERTIFY THAT:

(1) I am a duly elected Financial Officer of STERIS CORPORATION, an Ohio corporation ("*Borrower*");

(2) I am familiar with the terms of that certain Credit Agreement, dated as of March 28, 2002, among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent (as the same may from time to time be amended, restated or otherwise modified, the "*Credit Agreement*", the terms defined therein being used herein as therein defined), and the terms of the other Loan Documents, and I have made, or have caused to be made under my supervision, a review in reasonable detail of the transactions and condition of Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;

(3) The review described in paragraph (2) above did not disclose, and I have no knowledge of, the existence of any condition or event that constitutes or constituted a Default or Event of Default, at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate;

(4) Borrower hereby represents that the representations and warranties made by Borrower contained in each Loan Document are true and correct as though made on and as of the date hereof; and

(5) Set forth on Attachment I hereto are calculations of the covenants set forth in Sections 5.07 and 5.14 of the Credit Agreement, which calculations show compliance with the terms thereof.

(6) As of the end of the fiscal quarter referenced above, the aggregate amount of Permitted Foreign Subsidiary Loans and Investments is \$_____.

IN WITNESS WHEREOF, I have signed this certificate the __ day of _____, 20__.

STERIS CORPORATION

By: _____

Name: _____

Title: _____

EXHIBIT E

GUARANTY OF PAYMENT

This GUARANTY OF PAYMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, this "*Guaranty*") is entered into as of March 28, 2002 by each of the undersigned and any other Person, as defined in the Credit Agreement (as hereinafter defined), that becomes a party hereto by joined supplement or otherwise after the date hereof (collectively, "*Guarantors*" and, individually, each a "*Guarantor*"), in favor of KEYBANK NATIONAL ASSOCIATION, as administrative agent ("*Agent*"), for the benefit of the Lenders, as hereinafter defined.

Recitals:

A. STERIS CORPORATION, an Ohio corporation (together with its successors and assigns, "*Borrower*"), is entering into the Credit Agreement, as hereinafter defined, with Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, "*Lenders*" and, individually, each a "*Lender*").

B. Each Guarantor is a subsidiary of Borrower whose financing is provided by the Loans, as hereinafter defined, and each Guarantor deems it to be in its direct pecuniary and business interests that Borrower obtain from the Lenders the Commitment, as defined in the Credit Agreement, and the Loans provided for in the Credit Agreement.

C. Each Guarantor understands that the Lenders are willing to enter into the Credit Agreement with Borrower only upon certain terms and conditions, one of which is that the Guarantors guarantee the payment of the Debt, as hereinafter defined, and this Guaranty is being executed and delivered in consideration of Agent and the Lenders entering into the Credit Agreement and for other valuable considerations.

Section 1. *Definitions.* Except as specifically defined herein, capitalized terms used herein that are defined in the Credit Agreement have the respective meanings ascribed to such terms in the Credit Agreement. As used herein, the following terms have the following meanings:

"*Collateral*" means, collectively, all property, if any, securing the Debt or any part thereof at the time in question.

"*Credit Agreement*" means the Credit Agreement executed by and among Borrower, Agent and the Lenders, dated as of March 28, 2002, as the same may from time to time be amended, restated or otherwise modified.

"*Debt*" means, collectively, all Debt, as defined in the Credit Agreement, and other obligations incurred by Borrower to the Lenders pursuant to the Credit Agreement and includes the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on all Notes, as defined in the Credit Agreement, and each extension,

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renewal or refinancing thereof in whole or in part, the facility fees, other fees and any prepayment fees and other amounts payable hereunder, and all Related Expenses, as defined in the Credit Agreement.

“*Loan*” means any Loan, as defined in the Credit Agreement, granted pursuant to the Credit Agreement.

“*Obligor*” means any Person that, or any of whose property, is or shall be obligated on the Debt or any part thereof in any manner and includes, without limiting the generality of the foregoing, Borrower, any Guarantor, and any other co-maker, endorser, guarantor of payment, subordinating creditor, assignor, grantor of a security interest, pledgor, mortgagor or any hypothecator of property, if any.

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

Section 2. *Guaranty of Debt.* Each Guarantor, jointly and severally, hereby absolutely and unconditionally guarantees the prompt payment in full of all of the Debt, whether now existing or hereafter arising, as and when the respective parts thereof become due and payable. If the Debt, or any part thereof, is not paid in full when due and payable, Agent, on behalf of the Lenders, in each case, has the right to proceed directly against any Guarantor under this Guaranty to collect the payment in full of the Debt, regardless of whether or not Agent, on behalf of the Lenders, has theretofore proceeded or is proceeding against Borrower or any other Obligor or Collateral, if any, or any of the foregoing. Agent and the Required Lenders, in their sole discretion, may proceed against any Obligor and any Collateral, and may exercise each right, power or privilege that Agent or the Lenders may then have, either simultaneously or separately, and, in any event, at such time or times and as often and in such order as Agent and the Required Lenders, in their sole discretion, may from time to time deem expedient to collect the payment in full of the Debt.

Section 3. *Payments Conditional.* Whenever Agent or any Lender credits any payment to the Debt or any part thereof, whatever the source or form of payment, the credit shall be conditional as to each Guarantor unless and until the payment is final and valid as to all the world. Without limiting the generality of the foregoing, each Guarantor agrees that if any check or other instrument so applied is dishonored by the drawer or any party thereto, or if any proceeds of Collateral or payment so applied is thereafter recovered by any trustee in bankruptcy or any other Person, each Lender, in each case, may reverse any entry relating thereto on its books and such Guarantor shall remain liable therefor, even if such Lender may no longer have in its possession any evidence of the Debt to which the payment in question was applied.

Section 4. *Guarantors' Obligations Absolute and Unconditional.* Regardless of the duration of time, regardless of whether Borrower may from time to time cease to be indebted to the Lenders and irrespective of any act, omission or course of dealing whatever on the part of Agent or any Lender, each Guarantor's liabilities and other obligations under this Guaranty shall remain in full effect until the payment in full of the Debt. Without limiting the generality of the foregoing:

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(a) no Lender shall at any time be under any duty to any Guarantor to grant any financial accommodation to Borrower, irrespective of any duty or commitment of any of the Lenders to Borrower, or to follow or direct the application of the proceeds of any such financial accommodation;

(b) each Guarantor waives (i) notice of the granting of any Loan to Borrower or the incurring of any other indebtedness by Borrower or the terms and conditions thereof, (ii) presentment, demand for payment and notice of dishonor of the Debt or any part thereof, or any other indebtedness incurred by Borrower to any of the Lenders, (iii) notice of any indulgence granted to any Obligor, and (iv) any other notice to which such Guarantor might, but for this waiver, be entitled;

(c) Agent and the Lenders, in their sole discretion, may, without any prejudice to their rights under this Guaranty, at any time or times, without notice to or the consent of any Guarantor, (i) grant Borrower whatever financial accommodations that Agent and the Lenders may from time to time deem advisable, even if Borrower might be in default in any respect and even if those financial accommodations might not constitute indebtedness the payment of which is guaranteed hereunder, (ii) assent to any renewal, extension, consolidation or refinancing of the Debt, or any part thereof, (iii) forbear from demanding security, if Agent and the Lenders have the right to do so, (iv) release any Obligor or Collateral or assent to any exchange of Collateral, if any, irrespective of the consideration, if any, received therefor, (v) grant any waiver or consent or forbear from exercising any right, power or privilege that Agent and the Lenders may have or acquire, (vi) assent to any amendment, deletion, addition, supplement or other modification in, to or of any writing evidencing or securing any Debt or pursuant to which any Debt is created, (vii) grant any other indulgence to any Obligor, (viii) accept any Collateral for, or any other Obligor upon, the Debt or any part thereof, and (ix) fail, neglect or omit in any way to realize upon any Collateral or to protect the Debt or any part thereof or any Collateral therefor;

(d) each Guarantor's liabilities and other obligations under this Guaranty shall survive any dissolution of such Guarantor; and

(e) each Guarantor's liabilities and other obligations under this Guaranty are absolute and unconditional irrespective of any lack of validity or enforceability of the Credit Agreement, the Notes, any Loan Document or any other agreement, instrument or document evidencing the Loans or related thereto, or any other defense available to such Guarantor in respect of this Guaranty.

Section 5. *Representations and Warranties.* Each Guarantor represents and warrants to Agent and each of the Lenders that (a) such Guarantor is a duly organized or formed and validly existing entity, in good standing or full force and effect under the laws of the state of its incorporation or formation, and is qualified to do business in each state where a failure to so qualify would have a material adverse effect on such Guarantor; (b) such Guarantor has legal power and right to execute and deliver this Guaranty and to perform and observe the provisions hereof; (c) the officer(s) executing and delivering this Guaranty on behalf of such Guarantor have been duly authorized to do so, and this Guaranty, when executed, is legal and binding upon such Guarantor in every respect; (d) except for matters described or referenced in the Credit Agreement or any schedule thereto, no litigation or proceeding is pending or threatened against

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such Guarantor before any court or any administrative agency that, in such Guarantor's opinion, after consultation with such Guarantor's counsel, is reasonably expected to have a material adverse effect on such Guarantor; (e) such Guarantor has received consideration that is the reasonable equivalent value of the obligations and liabilities that such Guarantor has incurred to Agent and the Lenders; (f) such Guarantor is not insolvent, as defined in any applicable state or federal statute, nor will such Guarantor be rendered insolvent by the execution and delivery of this Guaranty to Agent and the Lenders; (g) such Guarantor is not engaged or about to engage in any business or transaction for which the assets retained by such Guarantor are or will be an unreasonably small amount of capital, taking into consideration the obligations to the Lenders incurred hereunder; and (h) such Guarantor does not intend to, nor does such Guarantor believe that it will, incur debts beyond its ability to pay such debts as they mature.

Section 6. *Incorporation of Credit Agreement.* Each Guarantor agrees that all representations, warranties, and covenants contained in the Credit Agreement that are applicable to such Guarantor as a Company, as defined in the Credit Agreement, thereunder are specifically incorporated herein as if such statements were made by such Guarantor herein.

Section 7. *Disability of Obligor.* Without limiting the generality of any of the other provisions hereof, each Guarantor agrees that upon the dissolution of any Obligor and/or the filing or other commencement of any bankruptcy or insolvency proceedings by, for or against any Obligor, including without limitation, any assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate any Obligor, Agent and the Required Lenders, in their sole discretion, may declare the unpaid principal balance of and accrued interest on the Debt to be forthwith due and payable in full without notice. Upon the occurrence of any of the events enumerated in the immediately preceding sentence, each Guarantor shall, upon the demand of Agent, on behalf of the Lenders, whenever made, pay to Agent, for the benefit of the Lenders, an amount equal to the then unpaid principal balance of and accrued interest on the Debt.

Section 8. *Subordination.*

(a) Any Indebtedness, as defined in the Credit Agreement, of Borrower now or hereafter held by any Guarantor is hereby subordinated to the Indebtedness of Borrower to Agent and the Lenders; and such Indebtedness of Borrower to any Guarantor, if Agent, after an Event of Default has occurred so requests, shall be collected, enforced and received by such Guarantor as trustee for Agent and the Lenders and be paid over to Agent, for the benefit of Agent and the Lenders, on account of the Indebtedness of Borrower to Agent and the Lenders, but without affecting or impairing in any manner the liability of such Guarantor under the other provisions of this Guaranty. Prior to the transfer by any Guarantor of any note or negotiable instrument evidencing any Indebtedness of Borrower to such Guarantor, such Guarantor shall mark such note or negotiable instrument with a legend that the same is subject to this subordination.

(b) If and to the extent that any Guarantor makes any payment to Agent or any Lender or to any other person pursuant to or in respect of this Guaranty, any reimbursement or similar claim that such Guarantor may have against Borrower by reason thereof shall be subject and subordinate to the prior termination of the Commitment, as defined in the Credit Agreement, and indefeasible payment in full of all Debt owed to Agent and the Lenders.

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Section 9. *Subrogation Rights.* Until such time as the Debt has been paid in full in cash and otherwise fully performed and the Commitment under the Credit Agreement has been terminated, each Guarantor hereby irrevocably waives all rights of subrogation that it may at any time otherwise have as a result of this Guaranty (whether contractual, under section 509 of the Bankruptcy Code, or otherwise) to the claims of Agent and/or the Lenders against Borrower, any other Guarantor or any other guarantor of or surety for the Debt and all contractual, statutory or common law rights of reimbursement, contribution or indemnity from Borrower or any other Guarantor that it may at any time otherwise have as a result of this Guaranty.

Section 10. *Notice.* All notices, requests, demands and other communications provided for hereunder shall be in writing and, if to a Guarantor, addressed to it at 5960 Heisley Road, Mentor, Ohio 44060, Attention: Chief Financial Officer, and, if to Agent or a Lender, addressed to the address of Agent or such Lender specified on the signature pages of the Credit Agreement. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

Section 11. *Miscellaneous.* This Guaranty binds each Guarantor and its successors and assigns and inures to the benefit of Agent and each Lender and their respective successors and assigns, including, without limitation, each holder of any Note evidencing any Debt. If, at any time, one or more provisions of this Guaranty is or becomes invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. This Guaranty constitutes a final written expression of all of the terms of this Guaranty, is a complete and exclusive statement of those terms and supersedes all oral representations, negotiations and prior writings, if any, with respect to the subject matter hereof. The relationship between (a) the Guarantors and (b) Agent and the Lenders with respect to this Guaranty is solely that of debtor and creditors, respectively, and Agent and the Lenders have no fiduciary obligation toward any Guarantor with respect to this Guaranty or the transactions contemplated hereby. The captions herein are for convenience of reference only and shall be ignored in interpreting the provisions of this Guaranty.

Section 12. *Judgment Currency.* If Agent, on behalf of the Lenders, obtains a judgment or judgments against any Guarantor in an Alternate Currency, the obligations of such Guarantor in respect of any sum adjudged to be due to Agent or the Lenders hereunder (the "*Judgment Amount*") shall be discharged only to the extent that, on the Business Day following receipt by Agent of the Judgment Amount in the Alternate Currency, Agent, in accordance with normal banking procedures, purchases Dollars with the Judgment Amount in such Alternate Currency. If the amount of Dollars so purchased is less than the amount of Dollars that could have been purchased with the Judgment Amount on the date or dates the Judgment Amount (excluding the portion of the Judgment Amount that accrued as a result of the failure of such Guarantor to pay the sum originally due hereunder when it was originally due and owing to Agent or the Lenders hereunder, under the Credit Agreement or under the Notes, as the case may be) was originally due and owing (the "*Original Due Date*") to Agent or the Lenders hereunder (the "*Loss*"), such Guarantor agrees as a separate obligation and notwithstanding any such

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judgment, to indemnify Agent or such Lender, as the case may be, against the Loss, and if the amount of Dollars so purchased exceeds the amount of Dollars that could have been purchased with the Judgment Amount on the Original Due Date, Agent or such Lender agrees to remit such excess to such Guarantor.

Section 13. *Payments Net of Taxes.* All payments on account of principal, if any, interest and other fees and amounts payable hereunder shall be made without set-off or counterclaim and, unless otherwise required by law, shall be made free and clear of and without deduction for withholding tax or similar tax, present or future, imposed by any taxing authority in any jurisdiction (a "Tax"). If any Guarantor shall be required to withhold or pay any Tax, it shall make the required withholding and payment in accordance with and within the time allowed by law, and shall nonetheless pay to the appropriate Lender such additional amounts as shall be necessary to cause such Lender actually to receive in full all amounts (after taking account of any further deduction or withholding that is required to be made as a consequence of the payment of such additional amounts) on account of principal and interest or other fees or amounts owing to it hereunder, as if such Tax had not been paid. As soon as practicable after the date that any Tax shall become due and payable, (i) each Guarantor shall give to such Lender the original or a copy of a receipt for the payment of the Tax, or, if such receipts are not issued by or received from the taxing authority to which the Tax was paid, a certificate of an officer of such Guarantor, confirming the date and amount of the payment so made and reasonable details of the calculation of the amount due; and (ii) each Guarantor shall indemnify and save such Lender harmless from and against any claim, liability, loss, cost, expense (including without limitation legal, accounting and other professional fees, and interest and penalty charges or fines imposed by any taxing authority in respect of or arising from non-payment of such Tax) to which such Lender may be exposed or that it may incur, by reason of any Guarantor's failure to make punctual payment of any amount required to be paid to a taxing authority pursuant to this Section.

Section 14. *Obligations and Agreement Independent.* The obligations of each Guarantor under this Guaranty are independent of the obligations of any other Guarantor or any other Obligor, and a separate action or actions may be brought and prosecuted against any Guarantor whether or not any action is brought against any other Guarantor or any other Obligor and whether or not any other Guarantor or any other Obligor is joined in any such action. This Guaranty shall be construed as a separate agreement with respect to each of the Guarantors and may be amended, modified, supplemented, waived, or released with respect to any Guarantor without the approval of any other Guarantor and without affecting the obligations of any other Guarantor hereunder.

Section 15. *Governing Law; Submission to Jurisdiction.* The provisions of this Guaranty and the respective rights and duties of each Guarantor, Agent and the Lenders hereunder shall be governed by and construed in accordance with Ohio law, without regard to principles of conflict of laws. Each Guarantor hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Guaranty, any Loan Document or any Related Writing, and such Guarantor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Each Guarantor, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by

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law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Each Guarantor agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

[Remainder of page intentionally left blank.]

Exhibit E - 7

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Section 16. *JURY TRIAL WAIVER.* THE GUARANTORS, AGENT, AND THE LENDERS EACH WAIVES ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, AMONG BORROWER, THE GUARANTORS, AGENT, AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS GUARANTY OR ANY NOTE OR OTHER AGREEMENT, INSTRUMENT OR DOCUMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, each Guarantor has executed and delivered this Guaranty as of the date first written above.

[INSERT LIST OF GUARANTORS]

By: _____

Name: _____

Title: _____

of, and on behalf of, each of the
above Guarantors

EXHIBIT F
PLEDGE AGREEMENT

This PLEDGE AGREEMENT (as the same may from time to time be amended, restated or otherwise modified, this “*Agreement*”) is entered into as of March 28, 2002, by [], a [] corporation (“*Pledgor*”), in favor of KEYBANK NATIONAL ASSOCIATION, as administrative agent (“*Agent*”), for the benefit of the Lenders, as hereinafter defined.

Recitals:

A. STERIS CORPORATION, an Ohio corporation (together with its successors and assigns, “*Borrower*”), is entering into the Credit Agreement, as hereinafter defined, with Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, “*Lenders*” and, individually, each a “*Lender*”).

B. Pledgor, a subsidiary of Borrower whose financing is provided by the Loans, as hereinafter defined, deems it to be in the direct pecuniary and business interests of Pledgor that Borrower obtain from the Lenders the Commitment, as defined in the Credit Agreement, and the Loans provided for in the Credit Agreement.

C. Pledgor understands that the Lenders are willing to grant such financial accommodations to Borrower only upon certain terms and conditions, one of which is that Pledgor grant to Agent, for the benefit of the Lenders, a security interest in and an assignment of the Collateral, as hereinafter defined, and this Agreement is being executed and delivered in consideration of each financial accommodation granted to Borrower by Agent and the Lenders and for other valuable considerations.

Section 1. *Definitions.* Except as specifically defined herein, capitalized terms used herein that are defined in the Credit Agreement shall have the respective meanings ascribed to such terms in the Credit Agreement. Unless otherwise defined in this Section 1, terms that are defined in Chapter 1308 or 1309 of the Ohio Revised Code, as in effect from time to time, are used herein as so defined. As used in this Agreement, the following terms have the following meanings:

“*Collateral*” means, collectively, (a) the Pledged Securities and each addition, if any, thereto and each substitution, if any, therefor, in whole or in part, (b) the certificates, if any, representing the Pledged Securities, and (c) the dividends, cash, instruments and other property distributed in respect of and other proceeds of any of the foregoing.

“*Credit Agreement*” means the Credit Agreement, dated as of the March 28, 2002, among Borrower, Agent and the Lenders, as the same may from time to time be amended, restated or otherwise modified.

“*Debt*” means, collectively, (a) all Debt, as defined in the Credit Agreement, (b) all other obligations incurred by Borrower to the Lenders pursuant to the Credit Agreement and includes

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the principal of and interest (including interest accruing during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, regardless of whether allowed or allowable in such proceeding) on all Notes, and each extension, renewal or refinancing thereof in whole or in part, the facility fees, other fees and any prepayment fees and other amounts payable hereunder, (c) all obligations with respect to Hedge Agreements, and (d) all Related Expenses, as defined in the Credit Agreement.

“*Event of Default*” has the meaning set forth in Section 6(a) hereof.

“*Foreign Subsidiary*” means a Subsidiary that is organized outside of the United States.

“*Hedge Agreement*” means any currency swap or hedge agreement, interest rate swap, cap, collar or floor agreement, or other interest rate management device entered into by any Company with Agent or any of the Lenders, or any of their respective affiliates, in connection with the Debt.

“*Loan*” means any Loan, as defined in the Credit Agreement, granted pursuant to the Credit Agreement.

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

“*Pledged Securities*” means, subject to Section 4 hereof, all of the shares of stock or other equity interest of each Foreign Subsidiary of Pledgor owned by Pledgor, as listed on Schedule 1 hereto, and all additional shares of stock or other equity interest of each Foreign Subsidiary (including any Foreign Subsidiary created, acquired or held after the date hereof) of Pledgor owned by Pledgor from time to time or acquired by Pledgor in any manner.

Section 2. *Security Interest.* Pledgor hereby grants to Agent, for the benefit of the Lenders, a security interest in and an assignment of the Collateral as security for the Debt, whether now existing or hereafter arising. To the extent any of the Pledged Securities are certificated, Pledgor has executed appropriate transfer powers, in the form of Exhibit A hereto, with respect to the Pledged Securities and, concurrently herewith, is depositing the Pledged Securities and the aforesaid transfer powers with Agent, for the benefit of the Lenders. In addition, Pledgor shall have taken all such actions necessary to grant to Agent, for the benefit of the Lenders, a first preferred security interest in or pledge of such stock (or other equity interest). Pledgor authorizes Agent, on behalf of the Lenders, (a) to file UCC financing statements, in form and substance satisfactory to Agent, with respect to the Collateral and, (b) after the occurrence of an Event of Default, to transfer the Pledged Securities into the name of Agent or Agent’s nominee, but Agent shall be under no duty to do so. Notwithstanding any provision or inference herein or elsewhere to the contrary, (i) Agent has no right to vote the Pledged Securities at any time unless and until an Event of Default has occurred, and (ii) prior to the occurrence of an Event of Default, Pledgor will be permitted to receive all dividends and other distributions with respect to the Pledged Securities.

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Section 3. *Pledgor's Representations and Warranties.* Pledgor represents and warrants to Agent and the Lenders as follows:

(a) Pledgor is the legal record and beneficial owner of, and has good and marketable title to, the Pledged Securities, and the Pledged Securities are not subject to any pledge, lien, mortgage, hypothecation, security interest, charge, option, warrant or other encumbrance whatsoever, nor to any agreement purporting to grant to any third party a security interest in the property or assets of Pledgor that would include such Pledged Securities, except the security interest created by this Agreement or otherwise securing only Agent and the Lenders;

(b) all of the Pledged Securities have been duly authorized and validly issued, and are fully paid and non-assessable;

(c) Pledgor has full power, authority and legal right to pledge all of the Pledged Securities pursuant to the terms of this Agreement;

(d) no consent, license, permit, approval or authorization, filing or declaration with any governmental authority, domestic or foreign, and no consent of any other Person, is required to be obtained by Pledgor in connection with the pledge of the Pledged Securities hereunder, that has not been obtained or made, and is not in full force and effect;

(e) the pledge, assignment and delivery of the Pledged Securities hereunder creates a valid first lien on, and a first perfected security interest in, the Pledged Securities and the proceeds thereof;

(f) the Pledged Securities constitute 65% of the outstanding shares of stock or other equity interest of each Foreign Subsidiary's stock or other equity interest pledged in accordance with Section 4 hereof;

(g) Pledgor fully anticipates that the Debt will be repaid without the necessity of selling the Pledged Securities;

(h) Pledgor (i) has received consideration that is the reasonable equivalent value of the obligations and liabilities that Pledgor has incurred to Agent and the Lenders, (ii) is not insolvent, as defined in any applicable state or federal statute, nor will Pledgor be rendered insolvent by the execution and delivery of this Agreement to Agent, for the benefit of the Lenders, (iii) is not engaged or about to engage in any business or transaction for which the assets retained by Pledgor are or will be an unreasonably small amount of capital, taking into consideration the obligations to Agent and the Lenders incurred hereunder, and (iv) does not intend to incur debts beyond Pledgor's ability to pay them as they mature; and

(i) if the Pledged Securities are "restricted securities" within the meaning of Rule 144, or any amendment thereof, promulgated under the Securities Act of 1933, as amended (the "*Securities Act*"), as determined by counsel for Pledgor, Pledgor further represents and warrants that (i) Pledgor has been the beneficial owner of the Pledged Securities for a period of at least two years prior to the date hereof, (ii) the full purchase price or other consideration for the Pledged Securities has been paid or given at least two years prior to the date hereof, and (iii) Pledgor does not have a short position in or any put or other option to dispose of any

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securities of the same class as the Pledged Securities or any other securities convertible into securities of such class.

Section 4. *Foreign Subsidiaries.* Notwithstanding anything in this Agreement to the contrary, Pledgor is not required to pledge more than 65% of the outstanding shares of stock or other equity interest of any Foreign Subsidiary if Pledgor is not required to do so pursuant to Section 5.21 of the Credit Agreement.

Section 5. *Additional Covenants of Pledgor.*

(a) Pledgor covenants and agrees to defend the right, title and security interest of Agent and the Lenders in and to the Pledged Securities and the proceeds thereof, and to maintain and preserve the lien and security interest provided for by this Agreement against the claim and demands of all Persons, so long as this Agreement remains in effect.

(b) Pledgor covenants and agrees not to sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, or create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance with respect to any of the Pledged Securities, or any interest therein, or any proceeds thereof, except for the lien and security interest provided for by this Agreement and any security agreement securing only Agent and the Lenders.

(c) Pledgor covenants and agrees (i) to cooperate, in good faith, with Agent and the Lenders and to do or cause to be done all such other acts as may be necessary to enforce the rights of Agent and the Lenders under this Agreement, (ii) not to take any action, or to fail to take any action that would be adverse to the interest of Agent and the Lenders in the Collateral and hereunder, and (iii) to make any sale or sales of any portion or all of the Pledged Securities valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts, arbitrators or governmental instrumentalities, domestic or foreign, having jurisdiction over any such sale or sales at Pledgor's expense.

Section 6. *Events of Default.*

(a) For purposes of this Agreement, "*Event of Default*" means (i) the occurrence of an Event of Default, as defined in the Credit Agreement, under the Credit Agreement; (ii) any representation, warranty or statement made by Pledgor in or pursuant to this Agreement or in any other writing received by Agent or the Lenders in connection with the Debt is false or erroneous in any material respect; and/or (iii) Pledgor fails or omits to perform or observe any agreement made by Pledgor in or pursuant to this Agreement or in any other writing received by Agent or the Lenders pursuant hereto.

(b) Upon the occurrence of an Event of Default, and at all times thereafter, Agent, in its discretion, may sell, assign, transfer and deliver the Collateral, or any part thereof, at any time, or from time to time. No prior notice need be given to Pledgor or to any other Person in the case of any sale of Collateral that Agent determines to be declining speedily in value or that is customarily sold in any securities exchange, over-the-counter market or other recognized market, but in any other case Agent shall give Pledgor no fewer than ten days prior notice of

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either the time and place of any public sale of the Collateral or of the time after which any private sale or other intended disposition thereof is to be made. Pledgor waives advertisement of any such sale and (except to the extent specifically required by the preceding sentence) waives notice of any kind in respect of any such sale. At any such public sale, Agent or any Lender may purchase the Collateral, or any part thereof, free from any right of redemption, all of which rights Pledgor hereby waives and releases. After deducting all Related Expenses, and after paying all claims, if any, secured by liens having precedence over this Agreement, Agent may apply the net proceeds of each such sale to or toward the payment of the Debt, whether or not then due, in such order and by such division as Agent in its sole discretion may deem advisable. Any excess, to the extent permitted by law, shall be paid to Pledgor, and the obligors on the Debt shall remain liable for any deficiency. In addition, Agent at all times has the right to obtain new appraisals of Pledgor or the Collateral, the cost of which shall be paid by Pledgor.

Section 7. *Attorney-In-Fact.* Pledgor hereby authorizes and empowers Agent, on behalf of the Lenders, to make, constitute and appoint any officer or agent of Agent as Agent may select, in its exclusive discretion, as Pledgor's true and lawful attorney-in-fact, with the power to endorse Pledgor's name on all applications, documents, papers and instruments necessary for Agent to take actions with respect to the Collateral after the occurrence of an Event of Default, including, without limitation, actions necessary for Agent to assign, pledge, convey or otherwise transfer title in or dispose of the Collateral to any Person. Pledgor ratifies all that such attorney lawfully does or causes to be done by virtue hereof. This power of attorney is irrevocable for the life of this Agreement.

Section 8. *Costs and Expenses.* If Pledgor fails to comply with any of its obligations hereunder, Agent may do so in Pledgor's name or in Agent's name, but at Pledgor's expense, and Pledgor hereby agrees to reimburse Agent and the Lenders in full for all expenses, including reasonable attorneys' fees, incurred by Agent and the Lenders in protecting, defending and maintaining the Collateral. Without limiting the foregoing, any and all Related Expenses and other reasonable fees, costs and expenses, of whatever kind or nature, including the reasonable attorneys' fees and expenses incurred in connection with the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, maintenance fees, encumbrances or otherwise protecting, maintaining or preserving the Collateral, or in defending or prosecuting any actions or proceedings arising out of or related to the Collateral, shall be borne and paid by Pledgor upon request of Agent.

Section 9. *Notice.* All notices, requests, demands and other communications provided for hereunder shall be in writing and, if to Pledgor, addressed to it at 5960 Heisley Road, Mentor, Ohio 44060, Attention: Chief Financial Officer, and, if to Agent or a Lender, addressed to the address of Agent or such Lender specified on the signature pages of the Credit Agreement. All notices, statements, requests, demands and other communications provided for hereunder shall be deemed delivered (a) upon receipt when delivered in person, (b) upon receipt of electronic confirmation of error free transmission when sent by facsimile or other electronic means, (c) upon receipt when sent by nationally (or internationally, as the case may be) recognized overnight delivery service, or (d) 48 hours after being deposited in the mail when sent by first class mail, registered mail, or certified mail.

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Section 10. *Interpretation.* Each right, power or privilege specified or referred to in this Agreement is in addition to any other rights, powers and privileges that Agent or the Lenders may have or acquire by operation of law, by other contract or otherwise. No course of dealing in respect of, nor any omission or delay in the exercise of, any right, power or privilege by Agent and the Lenders shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any further or other exercise thereof or of any other, as each right, power or privilege may be exercised by Agent and the Lenders either independently or concurrently with other rights, powers and privileges and as often and in such order as Agent and the Lenders may deem expedient. No waiver or consent granted by Agent and the Lenders in respect of this Agreement shall be binding upon Agent and the Lenders unless specifically granted in writing, which writing shall be strictly construed.

Section 11. *Termination.* At such time as the Debt has been irrevocably paid in full, the Commitment, as defined in the Credit Agreement, terminated, and the Credit Agreement terminated and not replaced by any other credit facility with Agent and the Lenders, Pledgor shall have the right to terminate this Agreement. Upon written request of Pledgor, Agent shall promptly execute and deliver to Pledgor appropriate releases with respect to the Collateral and return all of the Pledged Securities to Pledgor.

Section 12. *Assignment and Successors.* This Agreement shall not be assigned by Pledgor without the prior written consent of Agent. This Agreement binds the successors and permitted assigns of Pledgor and benefits the successors and assigns of Agent and the Lenders.

Section 13. *Severability.* If, at any time, one or more provisions of this Agreement is or becomes invalid, illegal or unenforceable in whole or in part, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14. *Governing Law; Submission to Jurisdiction.* The provisions of this Agreement and the respective rights and duties of Pledgor and Agent and the Lenders hereunder shall be governed by and construed in accordance with Ohio law, without regard to principles of conflict of laws. Pledgor hereby irrevocably submits to the non-exclusive jurisdiction of any Ohio state or federal court sitting in Cleveland, Ohio, over any action or proceeding arising out of or relating to this Agreement, any Loan Document or any Related Writing, and Pledgor hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such Ohio state or federal court. Pledgor, on behalf of itself and its Subsidiaries, hereby irrevocably waives, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of venue in any action or proceeding in any such court as well as any right it may now or hereafter have to remove such action or proceeding, once commenced, to another court on the grounds of FORUM NON CONVENIENS or otherwise. Pledgor agrees that a final, nonappealable judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

[Remainder of page intentionally left blank.]

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Section 15. *JURY TRIAL WAIVER.* PLEDGOR, AGENT AND THE LENDERS WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG BORROWER, PLEDGOR, AGENT AND THE LENDERS, OR ANY THEREOF, ARISING OUT OF, IN CONNECTION WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY NOTE OR OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION THEREWITH OR THE TRANSACTIONS RELATED THERETO.

IN WITNESS WHEREOF, Pledgor has executed and delivered this Agreement as of the date first written above.

[_____]

By: _____

Name: _____

Title: _____

EXHIBIT A
FORM OF
STOCK TRANSFER POWER

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____ (_____) Shares of the _____ Capital Stock of _____ standing in _____ name on the books of said corporation and represented by Certificate No. _____ herewith and does hereby irrevocably constitute and appoint _____ attorney to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

[_____]

Dated: _____

By: _____

Name: _____

Title: _____

**SCHEDULE 1
PLEDGED SECURITIES
[PLEDGOR TO COMPLETE]**

Name of Subsidiary	Number of Shares	Certificate Number
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EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement (the “*Assignment*”) is dated as of the Effective Date set forth below and is entered into by and between [*Insert name of Assignor*] (the “*Assignor*”) and [*Insert name of Assignee*] (the “*Assignee*”). Capitalized terms used but not defined herein shall have the meanings given to such terms in the Credit Agreement identified below (as the same may from time to time be amended, restated or otherwise modified, the “*Credit Agreement*”), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below, the interest in and to all of the Assignor’s rights and obligations under the Credit Agreement and any other documents or instruments delivered pursuant thereto that represents the amount and percentage interest identified below of all of the Assignor’s outstanding rights and obligations under the respective facilities identified below, including, to the extent included in any such facilities, Letters of Credit and Swing Loans (the “*Assigned Interest*”). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment, without representation or warranty by the Assignor.

1. Assignor:
2. Assignee:
3. Borrower STERIS CORPORATION
4. Agent: KEYBANK NATIONAL ASSOCIATION, as Agent under the Credit Agreement
5. Credit Agreement: The \$325,000,000 Credit Agreement dated as of March 28, 2002, among STERIS CORPORATION, the Lenders parties thereto, KEYBANK NATIONAL ASSOCIATION, as Agent, and the other agent a party thereto.

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6. Assigned Interest:

<u>Facility Assigned</u>	<u>Aggregate Amount of Commitment/Loans for all Lenders</u>	<u>Amount of Commitment/Loans Assigned</u>	<u>Percentage Assigned of Commitment/Loans¹</u>
_____ ¹	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %
_____	\$ _____	\$ _____	_____ %

Effective Date: _____, 20__ [TO BE INSERTED BY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Name: _____
Title: _____

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Name: _____
Title: _____

[Consented to and]² Accepted:

KEYBANK NATIONAL ASSOCIATION, as Agent

By: _____
Name: _____
Title: _____

¹ Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

² To be added only if the consent of Agent is required by the terms of the Credit Agreement.

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[Consented to:]³

STERIS CORPORATION

By: _____
Name: _____
Title: _____

³ To be added only if the consent of the Borrower is required by the terms of the Credit Agreement.

ANNEX 1

**\$325,000,000 Credit Agreement
for STERIS Corporation
dated as of March 28, 2002**

**STANDARD TERMS AND CONDITIONS FOR ASSIGNMENT
AND ASSUMPTION AGREEMENT**

1. *Representations and Warranties.*

1.1. *Assignor.* The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with any Loan Document, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document delivered pursuant thereto, other than this Assignment (herein, collectively, the “*Credit Documents*”), or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Credit Document or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Credit Document.

1.2. *Assignee.* The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it meets all requirements of an eligible assignee under Section 10.10(a) of the Credit Agreement, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section 5.03 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and to purchase the Assigned Interest on the basis of which it has made such analysis and decision, and (v) if it is an assignee described in Section 10.10(f) of the Credit Agreement, attached to the Assignment is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Documents, and (ii) it will perform in accordance with their terms all of the obligations that by the terms of the Credit Documents are required to be performed by it as a Lender.

2. *Payments.* From and after the Effective Date, Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other

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amounts) to the Assignor for amounts that have accrued to (but excluding) the Effective Date and to the Assignee for amounts that have accrued from and after the Effective Date.

3. *General Provisions.* This Assignment shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment. This Assignment shall be governed by, and construed in accordance with, the law of the State of Ohio, without regard to principles of conflicts of laws.

[End of *Annex 1*]

Exhibit G - 5

EXHIBIT H
REQUEST FOR EXTENSION

[Date] _____, 20__

KeyBank National Association, as Agent
127 Public Square
Cleveland, Ohio 44114
Attention:

Ladies and Gentlemen:

The undersigned, STERIS CORPORATION, an Ohio corporation, refers to the Credit Agreement, dated as of March 28, 2002 (as the same may from time to time be amended, restated or otherwise modified, the "*Credit Agreement*", the terms defined therein being used herein as therein defined), among the undersigned, the Lenders, as defined in the Credit Agreement, and KeyBank National Association, as Agent, and hereby gives you notice, pursuant to Section 2.13 of the Credit Agreement that the undersigned hereby requests an extension as set forth below (the "*Extension*") under the Credit Agreement, and in connection with the Extension sets forth below the information relating to the Extension as required by Section 2.13 of the Credit Agreement.

The undersigned hereby requests Agent and the Lenders to extend the Commitment Period from _____, 20__ to _____, 20__.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Extension: (i) the representations and warranties contained in each Loan Document are correct, before and after giving effect to the Extension and the application of the proceeds therefrom, as though made on and as of such date; (ii) no event has occurred and is continuing, or would result from such Extension, or the application of proceeds therefrom, which constitutes a Default or an Event of Default; and (iii) the conditions set forth in Section 2.03 and Article VI of the Credit Agreement have been satisfied.

Very truly yours,

STERIS CORPORATION

By: _____
Name: _____
Title: _____

EXHIBIT I

CONTRIBUTION AGREEMENT

This CONTRIBUTION AGREEMENT (as the same may from time to time be amended, restated, supplemented or otherwise modified, this “*Agreement*”) is entered into as of March 28, 2002 by and among STERIS CORPORATION, an Ohio corporation (“*Borrower*”), and each of the undersigned (other than Borrower) and any other Person, as defined in the Credit Agreement (as hereinafter defined), that becomes a party hereto by joined supplement or otherwise after the date hereof (collectively, the “*Subsidiaries*” and, individually, each a “*Subsidiary*”). Borrower and each of the Subsidiaries are sometimes hereinafter referred to, collectively, as the “*Contributing Parties*” and, individually, as a “*Contributing Party*”).

Recitals:

A. STERIS CORPORATION, an Ohio corporation (together with its successors and assigns, “*Borrower*”), is entering into the Credit Agreement (as the same may from time to time be amended, restated or otherwise modified, the “*Credit Agreement*”; unless otherwise provided herein, capitalized terms used in this Agreement have the meanings set forth in the Credit Agreement) dated as of March 28, 2002, with Agent and the lending institutions from time to time parties thereto (together with their respective successors and assigns, collectively, “*Lenders*” and, individually, each a “*Lender*”).

B. As a condition, among others, to Agent’s and the Lenders’ willingness to enter into the Credit Agreement, the Lenders have required that each Subsidiary execute and deliver a Guaranty of Payment, dated as of March 28, 2002 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the “*Guaranty of Payment*”), pursuant to which, among other things, the Subsidiaries have jointly and severally agreed to guarantee Borrower’s indebtedness and other obligations owed to Agent and Lenders under and as defined in the Credit Agreement, including, without limitation, the Debt (as defined in the Guaranty of Payment, hereinafter referred to as the “*Guaranteed Debt*”) it owes to Agent and/or the Lenders.

C. Each Subsidiary is a wholly-owned direct or indirect subsidiary of Borrower and is engaged in businesses related to those of Borrower and each other Subsidiary, and each of the Subsidiaries will derive direct or indirect economic benefit from the effectiveness and existence of the Credit Agreement.

Agreement:

In consideration of the premises and the covenants hereinafter contained, and to induce each Subsidiary to enter into the Guaranty of Payment, it is agreed as follows:

Section 1. To the extent that any Subsidiary shall, under the Guaranty of Payment, make a payment (a “*Subsidiary Payment*”) of a portion of the Guaranteed Debt, then such Subsidiary shall be entitled to contribution and indemnification from, and be reimbursed by, each of the other Contributing Parties in an amount, for each such Contributing Party, equal to a

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fraction of such Subsidiary Payment, the numerator of which fraction is such Contributing Party's Allocable Amount (as described in Section 2 hereof) and the denominator of which is the sum of the Allocable Amounts of all of the Contributing Parties.

Section 2. As of any date of determination, the "Allocable Amount" of each Contributing Party shall be equal to the maximum amount of liability that could be asserted against such Contributing Party hereunder with respect to the applicable Subsidiary Payment without (i) rendering such Contributing Party "insolvent" within the meaning of Section 101(31) of the Federal Bankruptcy Code (the "*Bankruptcy Code*") or Section 2 of either the Uniform Fraudulent Transfer Act (the "*UFTA*") or the Uniform Fraudulent Conveyance Act (the "*UFCA*"), (ii) leaving such Contributing Party with unreasonably small capital, within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 5 of the UFCA, or (iii) leaving such Contributing Party unable to pay its debts as they become due within the meaning of Section 548 of the Bankruptcy Code or Section 4 of the UFTA or Section 6 of the UFCA.

Section 3. This Agreement is intended only to define the relative rights of the Contributing Parties, and nothing set forth in this Agreement is intended to or shall impair the obligations of the Subsidiaries, jointly and severally, to pay any amounts, as and when the same shall become due and payable in accordance with the terms of the Guaranty of Payment.

Section 4. The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets in favor of each Subsidiary to which such contribution and indemnification is owing.

Section 5. This Agreement shall become effective upon its execution by each of the Contributing Parties and shall continue in full force and effect and may not be terminated or otherwise revoked by any Contributing Party until all of the Obligations under and as defined in the Agreement shall have been indefeasibly paid in full (in lawful money of the United States of America) and discharged and this Agreement and financing arrangements evidenced and governed by the Credit Agreement shall have been terminated. Each Contributing Party agrees that if, notwithstanding the foregoing, such Contributing Party shall have any right under applicable law to terminate or revoke this Agreement, and such Contributing Party shall attempt to exercise such right, then such termination or revocation shall not be effective until a written notice of such revocation or termination, specifically referring hereto and signed by such Contributing Party, is actually received by each of the other Contributing Parties and by Agent at its notice address set forth in the Credit Agreement. Such notice shall not affect the right or power of any Contributing Party to enforce rights arising prior to receipt of such written notice by each of the other Contributing Parties and Agent. If Agent or any Lender grants additional Loans or issues additional Letters of Credit to Borrower or takes other action giving rise to additional Obligations after any Contributing Party has exercised any right to terminate or revoke this Agreement but before Agent receives such written notice, the rights of each other Contributing Party to contribution and indemnification hereunder in connection with any Subsidiary Payments made with respect to such Loans or Letters of Credit shall be the same as if such termination or revocation had not occurred.

IN WITNESS WHEREOF, each Contributing Party has executed and delivered this Agreement as of the date first written above.

STERIS CORPORATION

By: _____

Title: _____

Name: _____

Address:

5960 Heisley Road

Mentor, Ohio 44060

Attn: Chief Financial Officer

[INSERT LIST OF SUBSIDIARIES]

By: _____

Title: _____

Name: _____

Address:

c/o STERIS Corporation

5960 Heisley Road

Mentor, Ohio 44060

Attn: Chief Financial Officer

EXHIBIT 21.1 SUBSIDIARIES OF STERIS CORPORATION

STERIS Corporation has no parent company. As of March 31, 2002, its direct and indirect subsidiaries were as follows:

<u>Legal Entity</u>	<u>Domicile</u>
American Sterilizer (Thailand) Co. Ltd.	Thailand
American Sterilizer Company	Pennsylvania
AMSCO Brasil Comercio e Servicos Ltda.	Brazil
AMSCO de Costa Rica, S.A.	Costa Rica
AMSCO Finn-Aqua Oy	Finland
CLBV Limited	United Kingdom
Ecomed, Inc.	Indiana
Global Risk Insurance Company	Vermont
Global Risk Management Insurance Company Ltd.	Barbados
Hausted, Inc.	Delaware
HSTD LLC	Delaware
HTD Holding Corp.	Delaware
Isomedix (Puerto Rico), Inc.	Delaware
Isomedix Corporation	Canada
Isomedix Inc.	Delaware
Isomedix Operations, Inc.	Delaware
Medical & Environmental Designs, Inc.	Missouri
STERIS (Barbados) Corp.	Barbados
STERIS AB	Sweden
STERIS Asia Pacific, Inc.	Delaware
STERIS Canada Corporation	Canada
STERIS Canada Inc.	Canada
STERIS Europe, Inc.	Delaware
STERIS FoodLabs, Inc.	Kansas
STERIS Foreign Sales Corporation	U.S. Virgin Islands
STERIS GmbH	Germany
STERIS Holdings B.V.	Netherlands
STERIS Hong Kong Limited	Hong Kong
STERIS Iberia, S.A.	Spain
STERIS International Sales Corporation	Delaware
STERIS Japan Inc.	Japan
STERIS Korea Limited	Korea
STERIS Latin America, Inc.	Delaware
STERIS Limited	UK
STERIS Mexico, S. de R.L. de C.V.	Mexico
STERIS S.A.	Belgium
STERIS Societe Anonyme	France
STERIS S.r.l.	Italy
STERIS Singapore Pte. Ltd.	Singapore
STERIS USA Distribution Corporation	Ohio
STERIS Inc.	Delaware
STERISOnline Inc.	Ohio

EXHIBIT 23.1 CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements of STERIS Corporation and in the related Prospectuses of our report dated April 23, 2002, with respect to the consolidated financial statements and schedule of STERIS Corporation and Subsidiaries included in this Annual Report (Form 10-K) for the year ended March 31, 2002:

<u>Registration Number</u>	<u>Description</u>
333-40058	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and Les C. Vinney
333-40082	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and Laurie Brilas and the Nonqualified Stock Option Agreement between STERIS Corporation and David L. Crandall
333-65155	Form S-8 Registration Statement—STERIS Corporation 1998 Long Term Incentive Compensation Plan
333-55839	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and John Masefield and the Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. DeAngelo
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—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
33-55258	Form S-8 Registration—STERIS Corporation Amended and Restated Non-Qualified Stock Option
333-63770	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and Charles L. Immel and Restricted Shares Agreement between STERIS Corporation and Charles L. Immel
333-63772	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and Thomas J. Magulski
333-63774	Form S-8 Registration Statement—Nonqualified Stock Option Agreement between STERIS Corporation and Peter A. Burke

/s/ ERNST & YOUNG LLP

Cleveland, Ohio
June __, 2002

**STERIS CORPORATION
POWER OF ATTORNEY
FORM 10-K**

Each of the undersigned hereby makes, constitutes, and appoints Les C. Vinney, Laurie Brlas, Mark D. McGinley, Roy L. Turnell, and each of them, his or her true and lawful attorney, with full power of substitution, for and in his or her name, place, and stead, to affix, as attorney-in-fact, his or her signature in any and all capacities, to the Annual report on Form 10-K of STERIS Corporation, an Ohio corporation, for its fiscal year ended March 31, 2002, and any and all amendments thereto to be filed with the Securities and Exchange Commission, Washington, D.C., under the provisions of the Securities and Exchange Act of 1934, as amended, with power to file said Form 10-K, and any and all other documents in connection therewith, with the Securities and Exchange Commission, hereby granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts and things requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact or any of them may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned have executed this Power of Attorney this 23rd day of April, 2002.

/s/ STEPHEN R. HARDIS

Stephen R. Hardis, Director

/s/ KEVIN M. MCMULLEN

Kevin M. McMullen, Director

/s/ JERRY E. ROBERTSON

Jerry E. Robertson, Director

/s/ LOYAL W. WILSON

Loyal W. Wilson, Director

/s/ LAURIE BRLAS

**Laurie Brlas
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)**

/s/ RAYMOND A. LANCASTER

Raymond A. Lancaster, Director

/s/ J. B. RICHEY

J. B. Richey, Director

/s/ JOHN P. WAREHAM

John P. Wareham, Director

/s/ LES C. VINNEY

**Les C. Vinney
President and Chief Executive Officer
(Principal Executive Officer), Director**