

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2014

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 1-14643

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STERIS®



STERIS Corporation

(Exact name of registrant as specified in its charter)

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Ohio

(State or other jurisdiction of  
incorporation or organization)

34-1482024

(IRS Employer  
Identification No.)

5960 Heisley Road,  
Mentor, Ohio

(Address of principal executive offices)

44060-1834

(Zip code)

440-354-2600

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

(Do not check if a smaller reporting company)

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

The number of common shares outstanding as of July 31, 2014: 59,337,678

STERIS Corporation and Subsidiaries

Form 10-Q

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## PART 1—FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

**STERIS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	June 30, 2014	March 31, 2014
	(Unaudited)	
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 157,936	\$ 152,802
Accounts receivable (net of allowances of \$10,296 and \$10,922, respectively)	284,194	313,686
Inventories, net	179,593	155,146
Deferred income taxes, net	16,120	16,084
Prepaid expenses and other current assets	39,054	37,027
<b>Total current assets</b>	<b>676,897</b>	<b>674,745</b>
Property, plant, and equipment, net	475,222	454,410
Goodwill and intangibles, net	890,089	747,715
Other assets	10,258	10,292
<b>Total assets</b>	<b>\$ 2,052,466</b>	<b>\$ 1,887,162</b>
<b>Liabilities and equity</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 88,046	\$ 102,430
Accrued payroll and other related liabilities	49,275	58,774
Accrued expenses and other	94,029	93,302
<b>Total current liabilities</b>	<b>231,350</b>	<b>254,506</b>
Long-term indebtedness	658,740	493,480
Deferred income taxes, net	59,100	59,053
Other liabilities	37,272	38,877
<b>Total liabilities</b>	<b>\$ 986,462</b>	<b>\$ 845,916</b>
<b>Commitments and contingencies (see note 9)</b>		
Serial preferred shares, without par value; 3,000 shares authorized; no shares issued or outstanding	—	—
Common shares, without par value; 300,000 shares authorized; 70,040 shares issued; 59,343 and 58,968 shares outstanding, respectively	246,121	246,186
Common shares held in treasury, 10,696 and 11,072 shares, respectively	(316,086)	(324,202)
Retained earnings	1,124,317	1,112,240
Accumulated other comprehensive income	9,033	4,481
<b>Total shareholders' equity</b>	<b>1,063,385</b>	<b>1,038,705</b>
Noncontrolling interest	2,619	2,541
<b>Total equity</b>	<b>1,066,004</b>	<b>1,041,246</b>
<b>Total liabilities and equity</b>	<b>\$ 2,052,466</b>	<b>\$ 1,887,162</b>

See notes to consolidated financial statements.

**STERIS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Product	\$ 230,440	\$ 222,928
Service	182,203	144,724
<b>Total revenues</b>	<b>412,643</b>	<b>367,652</b>
<b>Cost of revenues:</b>		
Product	129,975	129,538
Service	112,575	91,268
<b>Total cost of revenues</b>	<b>242,550</b>	<b>220,806</b>
<b>Gross profit</b>	<b>170,093</b>	<b>146,846</b>
<b>Operating expenses:</b>		
Selling, general, and administrative	113,688	93,929
Research and development	12,409	11,853
Restructuring expenses	(172)	52
<b>Total operating expenses</b>	<b>125,925</b>	<b>105,834</b>
<b>Income from operations</b>	<b>44,168</b>	<b>41,012</b>
<b>Non-operating expenses, net:</b>		
Interest expense	4,682	4,987
Interest income and miscellaneous expense	(220)	(248)
<b>Total non-operating expenses, net</b>	<b>4,462</b>	<b>4,739</b>
<b>Income before income tax expense</b>	<b>39,706</b>	<b>36,273</b>
Income tax expense	15,169	3,956
<b>Net income</b>	<b>\$ 24,537</b>	<b>\$ 32,317</b>
<b>Net income per common share</b>		
Basic	\$ 0.41	\$ 0.55
Diluted	\$ 0.41	\$ 0.54
<b>Cash dividends declared per common share outstanding</b>	<b>\$ 0.21</b>	<b>\$ 0.19</b>

See notes to consolidated financial statements.

**STERIS CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands)**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>	
	2014	2013
<b>Net income</b>	\$ 24,537	\$ 32,317
Unrealized gain (loss) on available for sale securities	103	2
Amortization of pension and postretirement benefit plans costs, (net of taxes of \$137 and \$89, respectively)	(222)	(140)
Change in cumulative foreign currency translation adjustment	4,671	(4,719)
<b>Total other comprehensive loss</b>	<b>4,552</b>	<b>(4,857)</b>
<b>Comprehensive income</b>	<b>\$ 29,089</b>	<b>\$ 27,460</b>

See notes to consolidated financial statements.

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

	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>		
Net income	\$ 24,537	\$ 32,317
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	20,405	18,333
Deferred income taxes	(167)	397
Share-based compensation expense	2,835	2,143
Loss on the disposal of property, plant, equipment, and intangibles, net	233	26
Other items	(1,366)	2,422
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable, net	46,681	12,635
Inventories, net	(15,426)	(11,662)
Other current assets	(1,139)	6,377
Accounts payable	(18,877)	(338)
Accruals and other, net	(11,363)	(29,953)
<b>Net cash provided by operating activities</b>	<b>46,353</b>	<b>32,697</b>
<b>Investing activities:</b>		
Purchases of property, plant, equipment, and intangibles, net	(23,331)	(21,741)
Proceeds from the sale of property, plant, equipment, and intangibles	71	8
Acquisition of business, net of cash acquired	(179,012)	(115)
<b>Net cash used in investing activities</b>	<b>(202,272)</b>	<b>(21,848)</b>
<b>Financing activities:</b>		
Proceeds under credit facilities, net	165,260	21,410
Deferred financing fees and debt issuance costs	—	(43)
Repurchases of common shares	(5,319)	(4,775)
Cash dividends paid to common shareholders	(12,459)	(11,244)
Stock option and other equity transactions, net	7,150	8,482
Tax benefit from share-based compensation	3,835	718
<b>Net cash provided by financing activities</b>	<b>158,467</b>	<b>14,548</b>
Effect of exchange rate changes on cash and cash equivalents	2,586	(1,567)
Increase in cash and cash equivalents	5,134	23,830
Cash and cash equivalents at beginning of period	152,802	142,008
Cash and cash equivalents at end of period	<b>\$ 157,936</b>	<b>\$ 165,838</b>

See notes to consolidated financial statements.

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands, except per share amounts)**

**1. Nature of Operations and Summary of Significant Accounting Policies**

***Nature of Operations***

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

We operate in three reportable business segments: Healthcare, Life Sciences, and STERIS Isomedix Services ("Isomedix"). We describe our business segments in note 10 to our consolidated financial statements titled, "Business Segment Information." Our fiscal year ends on March 31. References in this Quarterly Report to a particular "year" or "year-end" mean our fiscal year. The significant accounting policies applied in preparing the accompanying consolidated financial statements of the Company are summarized below:

***Interim Financial Statements***

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

These interim consolidated financial statements should be read together with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended March 31, 2014 dated May 29, 2014. The Consolidated Balance Sheet at March 31, 2014 was derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

***Principles of Consolidation***

We use the consolidation method to report our investment in our subsidiaries. Therefore, the accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. We eliminate inter-company accounts and transactions when we consolidate these accounts. Income attributable to non-controlling interests is reported in the "Interest income and miscellaneous expense" line of our Consolidated Statements of Income and is not material.

***Use of Estimates***

We make certain estimates and assumptions when preparing financial statements according to U.S. GAAP that affect the reported amounts of assets and liabilities at the financial statement dates and the reported amounts of revenues and expenses during the periods presented. These estimates and assumptions involve judgments with respect to many factors that are difficult to predict and are beyond our control. Actual results could be materially different from these estimates. We revise the estimates and assumptions as new information becomes available. This means that operating results for the three month period ended June 30, 2014 are not necessarily indicative of results that may be expected for future quarters or for the full fiscal year ending March 31, 2015.

***Recently Issued Accounting Standards Impacting the Company***

In May 2014, the FASB issued the accounting standards update 2014-09 titled "Revenue from Contracts with Customers", superseding Accounting Standards Codification ASC Topic 605, "Revenue Recognition" and most industry-specific guidance

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands)**

throughout the Industry Topics of the Codification. This amended guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance further states in order to achieve that core principle an entity should apply a series of five steps which include: identify the contract(s) with the Customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligation in the contract, and recognize revenue when (or as) the entity satisfies a performance obligation. Entities are given the option to apply either a full retrospective with practical expedients or a modified retrospective transition method. The standard update is effective for annual periods beginning after December 15, 2016 and interim periods within that period, early adoption is not permitted. The adoption of this standard is not expected to materially impact our consolidated financial position, results of operations or cash flows.

A detailed description of our significant and critical accounting policies, estimates, and assumptions is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2014 dated May 29, 2014. Our significant and critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2014.

## 2. Restructuring

**Fiscal 2014 Restructuring Plan.** During the fourth quarter of fiscal 2014, we adopted and announced a targeted restructuring plan primarily focused on the closure of our Hopkins manufacturing facility located in Mentor, Ohio (the “Fiscal 2014 Restructuring Plan”). As a result of this plan, we will transfer operations located at Hopkins to other North American locations. We believe that by closing the operations at Hopkins we will more effectively utilize our existing North American manufacturing network while reducing operating costs. The plan also includes the rationalization of certain products and the elimination of certain positions across our operations impacting approximately 150 employees. These actions resulted in the impairment of related assets and inventory and severance and outplacement costs.

Since the inception of the Restructuring Plan we have incurred pre-tax expenses totaling \$19,945 related to these actions, of which \$11,915 was recorded as restructuring expenses and \$8,030 was recorded in cost of revenues, with restructuring expenses of \$18,000, \$621, and \$1,324 related to the Healthcare, Life Sciences and Isomedix segments, respectively. We do not expect to incur any significant additional restructuring expenses related to this plan. These actions are intended to enhance profitability and improve efficiencies.

The following table summarizes our total pre-tax restructuring expenses for the first quarter of fiscal 2015:

Three Months Ended June 30,	Fiscal 2014 Restructuring Plan (1)
Severance and other compensation related costs	\$ (196)
Asset impairment and accelerated depreciation	(38)
Lease termination obligation and other	62
Product rationalization	(114)
<b>Total restructuring expenses</b>	<b>\$ (286)</b>

(1) Includes \$(114) in expense recorded to cost to revenues on Consolidated Statements of Income.

Pre-tax restructuring expenses of \$52 incurred during the first quarter of fiscal 2014 related to previously announced restructuring plans.

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



**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands)**

	Fiscal 2014 Restructuring Plan			
	March 31, 2014	Fiscal 2015		June 30, 2014
		Provision	Payments (1)	
Severance and termination benefits	\$ 6,389	\$ (196)	\$ (1,519)	\$ 4,674
Lease termination obligations and other	1,589	—	(988)	601
<b>Total</b>	<b>\$ 7,978</b>	<b>\$ (196)</b>	<b>\$ (2,507)</b>	<b>\$ 5,275</b>

(1) Certain amounts reported include the impact of foreign currency movements relative to the U.S. dollar.

### 3. Property, Plant and Equipment

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

	June 30, 2014	March 31, 2014
Land and land improvements (1)	\$ 35,579	\$ 33,601
Buildings and leasehold improvements	272,185	256,879
Machinery and equipment	367,762	360,977
Information systems	101,949	100,349
Radioisotope	263,769	258,547
Construction in progress (1)	34,132	35,016
<b>Total property, plant, and equipment</b>	<b>1,075,376</b>	<b>1,045,369</b>
Less: accumulated depreciation and depletion	(600,154)	(590,959)
<b>Property, plant, and equipment, net</b>	<b>\$ 475,222</b>	<b>\$ 454,410</b>

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

### 4. Inventories, Net

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

	June 30, 2014	March 31, 2014
Raw materials	\$ 67,655	\$ 60,328
Work in process	28,076	24,449
Finished goods	115,371	102,928
LIFO reserve	(17,171)	(19,450)
Reserve for excess and obsolete inventory	(14,338)	(13,109)
<b>Inventories, net</b>	<b>\$ 179,593</b>	<b>\$ 155,146</b>

### 5. Debt

Indebtedness was as follows:

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands)**

	June 30, 2014	March 31, 2014
Private Placement	\$ 340,000	\$ 340,000
Credit Agreement and Swing Line Facility	318,740	153,480
<b>Total long term debt</b>	<b>\$ 658,740</b>	<b>\$ 493,480</b>

Additional information regarding our indebtedness is included in the notes to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2014 dated May 29, 2014.

#### 6. Additional Consolidated Balance Sheet Information

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

	June 30, 2014	March 31, 2014
<b>Accrued payroll and other related liabilities:</b>		
Compensation and related items	\$ 26,196	\$ 19,418
Accrued vacation/paid time off	7,094	6,172
Accrued bonuses	4,335	18,451
Accrued employee commissions	8,217	11,322
Other postretirement benefit obligations-current portion	2,950	2,950
Other employee benefit plans' obligations-current portion	483	461
<b>Total accrued payroll and other related liabilities</b>	<b>\$ 49,275</b>	<b>\$ 58,774</b>
<b>Accrued expenses and other:</b>		
Deferred revenues	\$ 39,664	\$ 39,441
Self-insured risk reserves-current portion	5,214	4,656
Accrued dealer commissions	11,239	10,017
Accrued warranty	6,726	7,765
Other	31,186	31,423
<b>Total accrued expenses and other</b>	<b>\$ 94,029</b>	<b>\$ 93,302</b>
<b>Other liabilities:</b>		
Self-insured risk reserves-long-term portion	\$ 10,688	\$ 10,689
Other postretirement benefit obligations-long-term portion	17,609	18,393
Defined benefit pension plans obligations-long-term portion	442	691
Other employee benefit plans obligations-long-term portion	5,428	6,013
Other	3,105	3,091
<b>Total other liabilities</b>	<b>\$ 37,272</b>	<b>\$ 38,877</b>

#### 7. Income Tax Expense

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for the three-month periods ended June 30, 2014 and 2013 were 38.2% and 10.9%, respectively. During the first quarter of fiscal 2015, we were unfavorably impacted by pretax losses in jurisdictions for which no tax benefit is recognized. Conversely, during the first quarter of fiscal 2014, we benefited from the recognition of previously unrecognized tax benefits due to the settlement of a federal tax examination.

Income tax expense is provided on an interim basis based upon our estimate of the annual effective income tax rate, adjusted each quarter for discrete items. In determining the estimated annual effective income tax rate, we analyze various factors, including projections of our annual earnings and taxing jurisdictions in which the earnings will be generated, the impact of state and local income taxes, our ability to use tax credits and net operating loss carry forwards, and available tax planning alternatives.

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands)**

As of March 31, 2014 and June 30, 2014, we had no unrecognized tax benefits and have not recorded any liability for interest and penalties.

We operate in numerous taxing jurisdictions and are subject to regular examinations by various United States federal, state and local authorities, as well as foreign jurisdictions. We are no longer subject to United States federal examinations for years before fiscal 2014 and, with limited exceptions, we are no longer subject to United States state and local or non-United States income tax examinations by tax authorities for years before fiscal 2010. We remain subject to tax authority audits in various jurisdictions wherever we do business. We do not expect the results of these examinations to have a material adverse affect on our consolidated financial statements.

### 8. Benefit Plans

We provide pension benefits for certain former manufacturing and plant administrative personnel as determined by collective bargaining agreements or employee benefit standards set at the time of acquisition of certain businesses. In addition to providing pension benefits to certain employees, we sponsor an unfunded post-retirement welfare benefits plan for two groups of United States employees; including some of the same employees who receive pension benefits. Benefits under this plan include retiree life insurance and retiree medical coverage, including prescription drug coverage. Additional information regarding our defined benefit pension plans and other post-retirement benefits plan is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014.

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

<b>Three Months Ended June 30,</b>	<b>Defined Benefit Pension Plan</b>		<b>Other Postretirement Benefits Plan</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Service cost	\$ 35	\$ 40	\$ —	\$ —
Interest cost	471	450	173	171
Expected return on plan assets	(785)	(861)	—	—
Amortization of loss	277	365	180	223
Amortization of prior service cost	—	—	(816)	(816)
<b>Net periodic benefit cost (income)</b>	<b>\$ (2)</b>	<b>\$ (6)</b>	<b>\$ (463)</b>	<b>\$ (422)</b>

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

### 9. Commitments and Contingencies

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
**For the Three Months Ended June 30, 2014 and 2013**  
**(dollars in thousands)**

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

We believe we have adequately reserved for our current litigation and claims that are probable and estimable, and further believe that the ultimate outcome of these pending lawsuits and claims will not have a material adverse effect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome or effect of current or future litigation, investigations, claims or other proceedings (including without limitation the matters discussed below). For certain types of claims, we presently maintain insurance coverage for personal injury and property damage and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us.

In April 2010, after ongoing discussions with the FDA regarding a 2008 warning letter relating to our SYSTEM 1® sterile processor and related sterilant, we reached agreement with the FDA on the terms of a consent decree (“Consent Decree”). The Consent Decree was approved the same month by the U.S. District Court for the Northern District of Ohio. In general, among other matters, the Consent Decree restricts further sales of SYSTEM 1 processors in the U.S., prohibits the sale of liquid chemical sterilization or disinfection products in the U.S. that do not have FDA clearance, describes various process and compliance matters, and defines penalties in the event of violation of the Consent Decree.

On May 31, 2012, our Albert Browne Limited subsidiary received a warning letter from the FDA regarding chemical indicators manufactured in the United Kingdom. These devices are intended for the monitoring of certain sterilization and other processes. The FDA warning letter states that the agency has concerns regarding operational business processes. We do not believe that the FDA's concerns are related to product performance, or that they result from Customer complaints. We have reviewed our processes with the agency and finalized our remediation measures, and are awaiting FDA reinspection. We do not currently believe that the impact of this event will have a material adverse effect on our financial results.

On May 23, 2014, the Company received a warning letter from the FDA regarding an inspection that the FDA concluded on January 8, 2014 at our STERIS Isomedix Services facility located in Libertyville, Illinois. The facility primarily provides microbial reduction services for certain medical device Customers. Among other matters, the FDA warning letter asserts that certain processes and procedures observed during the inspection did not conform to current Good Manufacturing Practices for medical devices as required by Title 21 CFR Part 820 and, as a result, that certain devices processed at the subject facility are adulterated within the meaning of the Federal Food, Drug and Cosmetic Act. Since the inspection, the Company has provided detailed responses to the FDA regarding its corrective actions, and has continued to work diligently to remediate the FDA's concerns. We do not believe that this inspection was a result of Customer complaints and there have been no reports of patient injury. We do not expect this situation to have a material adverse effect on our operations or financial condition.

Other civil, criminal, regulatory or other proceedings involving our products or services could possibly result in judgments, settlements or administrative or judicial decrees requiring us, among other actions, to pay damages or fines or effect recalls, or be subject to other governmental, Customer or other third party claims or remedies, which could materially affect our business, performance, prospects, value, financial condition, and results of operations.

For additional information regarding these matters, see the following portions of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014: “Business - Information with respect to our Business in General - Government Regulation”, and the “Risk Factor” titled “We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters, including the Warning Letter and Consent Decree” and the “Risk Factor” titled “Compliance with the Consent Decree may be more costly and burdensome than anticipated.”

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

**STERIS CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)—(Continued)**  
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We are subject to taxation from United States federal, state and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual jurisdiction or the closing of statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates.

Additional information regarding our contingencies is included in Item 7 of Part II titled, “Management’s Discussion and Analysis of Financial Conditions and Results of Operations,” of our Annual Report on Form 10-K for the year ended March 31, 2014 dated May 29, 2014, and in Item 1 of Part II of this Form 10-Q titled, “Legal Proceedings.”

**10. Business Segment Information**

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

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

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

Our Isomedix segment operates through a network of facilities located in North America. We sell a comprehensive array of contract sterilization services using gamma irradiation and ethylene oxide (“EO”) technologies as well as an array of laboratory testing services. We provide microbial reduction services based on Customer specifications to companies that supply products to the healthcare, industrial, and consumer products industries.

Financial information for each of our segments is presented in the following table. Operating income (loss) for each segment is calculated as the segment’s gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. These allocations are based upon variables such as segment headcount and revenues. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment. Corporate and other includes the gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits.

The accounting policies for reportable segments are the same as those for the consolidated Company. For the three month period ended June 30, 2014, revenues from a single Customer did not represent ten percent or more of any reportable segment’s revenues. Additional information regarding our segments is included in our consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014.

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

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	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Revenues:</b>		
Healthcare	\$ 302,810	\$ 258,888
Life Sciences	58,614	59,915
Isomedix	51,193	48,224
Total reportable segments	412,617	367,027
Corporate and other	26	625
<b>Total revenues</b>	<b>\$ 412,643</b>	<b>\$ 367,652</b>
<b>Operating income:</b>		
Healthcare	\$ 17,966	\$ 14,947
Life Sciences	11,945	12,539
Isomedix	16,191	14,718
Total reportable segments	46,102	42,204
Corporate and other	(1,934)	(1,192)
<b>Total operating income</b>	<b>\$ 44,168</b>	<b>\$ 41,012</b>

#### 11. Common Shares

We calculate basic earnings per common share based upon the weighted average number of common shares outstanding. We calculate diluted earnings per share based upon the weighted average number of common shares outstanding plus the dilutive effect of common share equivalents calculated using the treasury stock method. The following is a summary of common shares and common share equivalents outstanding used in the calculations of basic and diluted earnings per share:

	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Denominator (shares in thousands):</b>		
Weighted average common shares outstanding—basic	59,169	59,005
Dilutive effect of common share equivalents	645	785
Weighted average common shares outstanding and common share equivalents—diluted	59,814	59,790

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

	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>(shares in thousands)</b>		
Number of common share options	345	250

#### 12. Repurchases of Common Shares

During the first quarter of fiscal 2015, we obtained 125,998 of our common shares in connection with share-based compensation award programs. At June 30, 2014, \$86,939 of STERIS common shares remained authorized for repurchase

**STERIS CORPORATION AND SUBSIDIARIES**  
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pursuant to the Board approved repurchase authorization (the March 2008 Board Authorization). Also, 10,696,490 common shares were held in treasury at June 30, 2014.

### 13. Share-Based Compensation

We maintain a long-term incentive plan that makes available common shares for grants, at the discretion of the Compensation Committee of the Board of Directors, to officers, directors, and key employees in the form of stock options, restricted shares, restricted share units, and stock appreciation rights. Stock options provide the right to purchase our common shares at the market price on the date of grant, subject to the terms of the option plans and agreements. Generally, one-fourth of the stock options granted become exercisable for each full year of employment following the grant date. Stock options granted generally expire 10 years after the grant date, or may expire earlier if the option holder is no longer employed by us. Restricted shares and restricted share units generally may cliff vest after a four year period or vest in tranches of one-fourth of the number granted for each full year of employment after the grant date. As of June 30, 2014, 2,818,486 shares remained available for grant under the long-term incentive plan.

The fair value of share-based compensation awards was estimated at their grant date using the Black-Scholes-Merton option pricing model. This model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable, characteristics that are not present in our option grants. If the model permitted consideration of the unique characteristics of employee stock options, the resulting estimate of the fair value of the stock options could be different. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in our Consolidated Statements of Income. The expense is classified as cost of goods sold or selling, general and administrative expenses in a manner consistent with the employee's compensation and benefits.

The following weighted-average assumptions were used for options granted during the first three months of fiscal 2015 and fiscal 2014:

	Fiscal 2015	Fiscal 2014
Risk-free interest rate	1.87%	0.89%
Expected life of options	5.6 years	5.6 years
Expected dividend yield of stock	1.88%	2.23%
Expected volatility of stock	29.88%	31.33%

The risk-free interest rate is based upon the U.S. Treasury yield curve. The expected life of options is reflective of historical experience, vesting schedules and contractual terms. The expected dividend yield of stock represents our best estimate of the expected future dividend yield. The expected volatility of stock is derived by referring to our historical stock prices over a time frame similar to that of the expected life of the grant. An estimated forfeiture rate of 1.46% and 1.44% was applied in fiscal 2015 and 2014, respectively. This rate is calculated based upon historical activity and represents an estimate of the granted options not expected to vest. If actual forfeitures differ from this calculated rate, we may be required to make additional adjustments to compensation expense in future periods. The assumptions used above are reviewed at the time of each significant option grant, or at least annually.

A summary of share option activity is as follows:

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	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at March 31, 2014	2,396,986	\$ 31.06		
Granted	353,084	53.52		
Exercised	(245,308)	28.02		
Forfeited	(29,875)	40.35		
Canceled	(150)	27.44		
<b>Outstanding at June 30, 2014</b>	<b>2,474,737</b>	<b>\$ 34.46</b>	6.09 years	<b>\$ 47,095</b>
<b>Exercisable at June 30, 2014</b>	<b>1,747,556</b>	<b>\$ 29.58</b>	4.84 years	<b>\$ 41,764</b>

We estimate that 710,599 of the non-vested stock options outstanding at June 30, 2014 will ultimately vest.

The aggregate intrinsic value in the table above represents the total pre-tax difference between the \$53.48 closing price of our common shares on June 30, 2014 over the exercise prices of the stock options, multiplied by the number of options outstanding or outstanding and exercisable, as applicable. The aggregate intrinsic value is not recorded for financial accounting purposes and the value changes daily based on the daily changes in the fair market value of our common shares.

The total intrinsic value of stock options exercised during the first three months of fiscal 2015 and fiscal 2014 was \$6,154 and \$6,053, respectively. Net cash proceeds from the exercise of stock options were \$7,150 and \$8,482 for the first three months of fiscal 2015 and fiscal 2014, respectively. The tax benefit from share-based compensation was \$3,835 and \$718 for the first three months of fiscal 2015 and fiscal 2014, respectively.

The weighted average grant date fair value of stock option grants was \$13.34 and \$10.53 for the first three months of fiscal 2015 and fiscal 2014, respectively.

Stock appreciation rights ("SARS") carry generally the same terms and vesting requirements as stock options except that they are settled in cash upon exercise and therefore, are classified as liabilities. The fair value of the outstanding SARS as of June 30, 2014 and 2013 was \$1,611 and \$1,211, respectively. The fair value of outstanding SARS is revalued at each reporting date and the related liability and expense are adjusted appropriately.

A summary of the non-vested restricted share activity is presented below:

	Number of Restricted Shares	Number of Restricted Share Units	Weighted-Average Grant Date Fair Value
Non-vested at March 31, 2014	931,018	14,976	\$ 36.60
Granted	254,848	20,123	53.73
Vested	(277,068)	(1,080)	33.08
Canceled	(24,824)	(1,520)	40.36
<b>Non-vested at June 30, 2014</b>	<b>883,974</b>	<b>32,499</b>	<b>\$ 42.69</b>

Restricted shares granted are valued based on the closing stock price at the grant date. The value of restricted shares that vested during the first three months of fiscal 2015 was \$9,202.

Restricted share units carry generally the same terms and vesting requirements as restricted stock except that they may be settled in stock or cash upon vesting. Those that are settled in cash are classified as liabilities. The fair value of outstanding cash-settled restricted share units as of June 30, 2014 and 2013 was \$254 and \$1,186, respectively. The fair value of each cash-settled restricted share unit is revalued at each reporting date and the related liability and expense are adjusted appropriately.



**STERIS CORPORATION AND SUBSIDIARIES**  
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As of June 30, 2014, there was a total of \$35,443 in unrecognized compensation cost related to non-vested share-based compensation granted under our share-based compensation plans. We expect to recognize the cost over a weighted average period of 2.63 years.

#### 14. Financial and Other Guarantees

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

Changes in our warranty liability during the first three months of fiscal 2015 were as follows:

Balance, March 31, 2014	\$	7,765
Warranties issued during the period		1,121
Settlements made during the period		(2,160)
<b>Balance, June 30, 2014</b>	<b>\$</b>	<b>6,726</b>

We also sell product maintenance contracts to our Customers. These contracts range in terms from one to five years and require us to maintain and repair the product over the maintenance contract term. We initially record amounts due from Customers under these contracts as a liability for deferred service contract revenue on the accompanying Consolidated Balance Sheets within "Accrued expenses and other." The liability recorded for such deferred service revenue was \$30,436 and \$31,079 as of June 30, 2014 and March 31, 2014, respectively. Such deferred revenue is then amortized on a straight-line basis over the contract term and recognized as service revenue on our accompanying Consolidated Statements of Income. The activity related to the liability for deferred service contract revenue is excluded from the table presented above.

#### 15. Forward and Swap Contracts

From time to time, we enter into forward contracts to hedge potential foreign currency gains and losses that arise from transactions denominated in foreign currencies, including inter-company transactions. We may also enter into commodity swap contracts to hedge price changes in a certain commodity that impacts raw materials included in our cost of revenues. We do not use derivative financial instruments for speculative purposes. These contracts are not designated as hedging instruments and do not receive hedge accounting treatment; therefore, changes in their fair value are not deferred but are recognized immediately in the Consolidated Statements of Income. At June 30, 2014, we held foreign currency forward contracts to buy 50.0 million Mexican pesos, 3.0 million Euros and 13.0 million Canadian dollars, and to sell 50.0 million Mexican pesos, 3.0 million Euros and 7.0 million Canadian dollars. At June 30, 2014, we held commodity swap contracts to buy 429 thousand pounds of nickel.

Balance Sheet Location	Asset Derivatives		Liability Derivatives	
	Fair Value at June 30, 2014	Fair Value at March 31, 2014	Fair Value at June 30, 2014	Fair Value at March 31, 2014
Prepaid & Other	\$ 963	\$ 167	\$ —	\$ —
Accrued expenses and other	\$ —	\$ —	\$ 167	\$ 67

The following table presents the impact of derivative instruments and their location within the Consolidated Statements of Income:

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	Location of gain (loss) recognized in income	Amount of gain (loss) recognized in income	
		Three Months Ended June 30,	
		2014	2013
Foreign currency forward contracts	Selling, general and administrative	\$ 279	\$ (734)
Commodity swap contracts	Cost of revenues	\$ 661	\$ (57)

### 16. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of financial assets and liabilities using available market information and generally accepted valuation methodologies. The inputs used to measure fair value are classified into three tiers. These tiers include Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the entity to develop its own assumptions. The following table shows the fair value of our financial assets and liabilities at June 30, 2014 and March 31, 2014:

	Fair Value Measurements at June 30, 2014 and March 31, 2014 Using							
	Carrying Value		Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs		Significant Unobservable Inputs	
			Level 1		Level 2		Level 3	
	June 30	March 31	June 30	March 31	June 30	March 31	June 30	March 31
<b>Assets:</b>								
Cash and cash equivalents (1)	\$ 157,936	\$ 152,802	\$ 141,573	\$ 137,189	\$ 16,363	\$ 15,613	\$ —	\$ —
Forward and swap contracts (2)	963	167	—	—	963	167	—	—
Investments (3)	3,467	3,397	3,467	3,397	—	—	—	—
<b>Liabilities:</b>								
Forward and swap contracts (2)	\$ 167	\$ 67	\$ —	\$ —	\$ 167	\$ 67	\$ —	\$ —
Deferred compensation plans (3)	3,572	3,495	3,752	3,495	—	—	—	—
Long term debt (4)	658,740	493,480	—	—	681,291	511,690	—	—
Contingent consideration obligations (5)	6,897	9,887	—	—	—	—	6,897	9,887

(1) Money market fund holdings are classified as level two as active market quoted prices are not available.

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

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

(4) We estimate the fair value of our long-term debt using discounted cash flow analyses, based on our current incremental borrowing rates for similar types of borrowing arrangements.

(5) Contingent consideration obligations arise from prior business acquisitions. The fair values are based on discounted cash flow analyses reflecting the possible achievement of specified performance measures or events and captures the contractual

**STERIS CORPORATION AND SUBSIDIARIES**  
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nature of the contingencies, commercial risk, and the time value of money. Contingent consideration obligations are classified in the consolidated balance sheets as accrued expense (short-term) and other liabilities (long-term), as appropriate based on the contractual payment dates.

The changes in Level 3 assets and liabilities measured at fair value on a recurring basis at June 30, 2014 are summarized as follows:

	Contingent Consideration
Balance at March 31, 2014	\$ 9,887
Deductions	(5,061)
(Gains)/losses	2,012
Foreign currency translation adjustments (1)	59
<b>Balance at June 30, 2014</b>	<b>\$ 6,897</b>

(1) Reported in other comprehensive income (loss).

### 17. Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

Amounts in Accumulated Other Comprehensive Income (Loss) are presented net of the related tax. Foreign Currency Translation is not adjusted for income taxes. Changes in our Accumulated Other Comprehensive Income (Loss) balances, net of tax, for the three months ended June 30, 2014 were as follows:

	Gain (Loss) on Available for Sale Securities (1)	Defined Benefit Plans (2)	Foreign Currency Translation	Total Accumulated Other Comprehensive Income (Loss)
Balance at March 31, 2014	\$ 561	\$ (2,428)	\$ 6,348	\$ 4,481
Other Comprehensive Income (Loss) before reclassifications	68	247	4,671	4,986
Amounts reclassified from Accumulated Other Comprehensive Income (Loss)	35	(469)	—	(434)
Net current-period Other Comprehensive Income (Loss)	103	(222)	4,671	4,552
<b>Balance at June 30, 2014</b>	<b>\$ 664</b>	<b>\$ (2,650)</b>	<b>\$ 11,019</b>	<b>\$ 9,033</b>

Details of amounts reclassified from Accumulated Other Comprehensive Income (Loss) are as follows:

- (1) Realized gain (loss) on available for sale securities is reported in the interest income and miscellaneous expense line of the Consolidated Statements of Income.
- (2) Amortization (gain) of defined benefit pension items is reported in the selling, general and administrative expense line of the Consolidated Statements of Income.

### 18. Business Acquisitions

On May 9, 2014, we completed the previously announced acquisition of all the outstanding shares of capital stock of Integrated Medical Systems International, Inc. ("IMS") pursuant to a Stock Purchase Agreement dated March 31, 2014. The purchase price was approximately \$165,000, subject to a customary working capital adjustment. In addition, we purchased certain real estate used in the IMS business for approximately \$10,000. IMS has facilities located in Alabama, Florida and Maryland and provides a variety of services including: endoscope repair, surgical instrument management and sterile processing consulting. IMS is being integrated into our Healthcare segment as part of our Specialty Services business. The acquisition was financed through a combination of credit facility borrowings and cash on hand.

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We recorded acquisition related costs of \$3,130, before tax, which are reported in selling, general and administrative expense. We anticipate that the acquisition of IMS will qualify for a joint election tax benefit under Section 338(h)(10) of the Internal Revenue Code, which allows goodwill and intangibles to be fully deductible for tax purposes. The allocation of premium to intangibles and goodwill is preliminary and will be finalized after the valuation reports are completed. Intangible assets acquired consist of trademarks, trade names and Customer relationships.

The Consolidated Financial Statements include the operating results of the IMS acquisition from the acquisition date. Pro-forma results of operations for the fiscal 2014 periods have not been presented because the effects of the acquisition were not material to our financial results.

The table below summarizes the preliminary allocation of the purchase price to the net assets acquired based on fair values at the acquisition date.

	<b>IMS (1)</b>
Accounts receivable	\$ 16,594
Inventory	8,478
Property, plant and equipment	12,552
Other assets	842
Intangible assets	86,000
Goodwill	59,741
<b>Total assets acquired</b>	<b>184,207</b>
Accounts payable	(4,833)
Current liabilities	(6,837)
<b>Total liabilities assumed</b>	<b>(11,670)</b>
<b>Net assets acquired</b>	<b>\$ 172,537</b>

(1) Purchase price allocation is still preliminary as of June 30, 2014, as valuations have not been finalized.

### 19. Subsequent Events

We have evaluated subsequent events through the date the financial statements were filed with the SEC, noting no events that require adjustment of, or disclosure in, the consolidated financial statements for the period ended June 30, 2014. These financial statements should be read in conjunction with the consolidated financial statements and related notes included in our 2014 Annual Report on Form 10-K.

Review Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
STERIS Corporation

We have reviewed the consolidated balance sheet of STERIS Corporation and subsidiaries (“STERIS”) as of June 30, 2014, and the related consolidated statements of income, comprehensive income and cash flows for the three-month periods ended June 30, 2014 and 2013. These financial statements are the responsibility of STERIS management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows for the year then ended (not presented herein) and we expressed an unqualified audit opinion on those consolidated financial statements in our report dated May 29, 2014. In our opinion, the accompanying consolidated balance sheet of STERIS Corporation and subsidiaries as of March 31, 2014 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Cleveland, Ohio  
August 8, 2014

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

### Introduction

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

- what factors affect our business;
- what our earnings and costs were in each period presented;
- why those earnings and costs were different from prior periods;
- where our earnings came from;
- how this affects our overall financial condition;
- what our expenditures for capital projects were; and
- where cash will come from to fund future debt principal repayments, growth outside of core operations, repurchase common shares, pay cash dividends and fund future working capital needs.

As you read the MD&A, it may be helpful to refer to information in our consolidated financial statements, which present the results of our operations for the first quarter of fiscal 2015 and fiscal 2014. It may also be helpful to read the MD&A in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014. In the MD&A, we analyze and explain the period-over-period changes in the specific line items in the Consolidated Statements of Income. Our analysis may be important to you in making decisions about your investments in STERIS.

### Financial Measures

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

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

We, at times, may also refer to financial measures which are considered to be "non-GAAP financial measures" under SEC rules. We have presented these financial measures because we believe that meaningful analysis of our financial performance is enhanced by an understanding of certain additional factors underlying that performance. These financial measures should not be considered an alternative to measures required by accounting principles generally accepted in the United States. Our calculations of these measures may differ from calculations of similar measures used by other companies and you should be careful when comparing these financial measures to those of other companies. Additional information regarding these financial measures, including reconciliations of each non-GAAP financial measure, is available in the subsection of MD&A titled, "Non-GAAP Financial Measures."

### Revenues – Defined

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

- **Revenues** – Our revenues are presented net of sales returns and allowances.
- **Product Revenues** – We define product revenues as revenues generated from sales of consumable and capital equipment products.
- **Service Revenues** – We define service revenues as revenues generated from parts and labor associated with the maintenance, repair, and installation of our capital equipment, instrument repair and endoscope repair services, and revenues generated from contract sterilization offered through our Isomedix segment.
- **Capital Revenues** – We define capital revenues as revenues generated from sales of capital equipment, which includes steam sterilizers, low temperature liquid chemical sterilant processing systems, including SYSTEM 1 and 1E, washing systems, VHP® technology, water stills, and pure steam generators; surgical lights and tables; and integrated OR.
- **Consumable Revenues** – We define consumable revenues as revenues generated from sales of the consumable family of products, which includes SYSTEM 1 and 1E consumables, V-Pro consumables, gastrointestinal endoscopy accessories, sterility assurance products, skin care products, cleaning consumables, and surgical instruments.
- **Recurring Revenues** – We define recurring revenues as revenues generated from sales of consumable products and service revenues.

## General Company Overview and Executive Summary

Our mission is to help our Customers create a healthier and safer world by providing innovative healthcare and life science product and service solutions around the globe. Our dedicated employees around the world work together to supply a broad range of solutions by offering a combination of capital equipment, consumables, and services to healthcare, pharmaceutical, industrial, and governmental Customers.

The bulk of our revenues are derived from the healthcare and pharmaceutical industries. Much of the growth in these industries is driven by the aging of the population throughout the world, as an increasing number of individuals are entering their prime healthcare consumption years, and is dependent upon advancement in healthcare delivery, acceptance of new technologies, government policies, and general economic conditions. In addition, each of our core industries is experiencing specific trends that could increase demand. Within healthcare, there is increased concern regarding the level of hospital-acquired infections around the world. The pharmaceutical industry has been impacted by increased FDA scrutiny of cleaning and validation processes, mandating that manufacturers improve their processes. The aging population increases the demand for medical procedures, which increases the consumption of single use medical devices and surgical kits processed by our Isomedix segment.

We are actively pursuing new opportunities to adapt our proven technologies to meet the changing needs of the global marketplace.

We also are pursuing a strategy of expanding into adjacent markets with acquisitions in the Healthcare segment. On May 9, 2014, the Company acquired Integrated Medical Systems International, Inc. ("IMS"). IMS has facilities located in Alabama, Florida and Maryland and provides a variety of services, including: endoscope repair, surgical instrument management and sterile processing consulting. IMS will be integrated into our Healthcare segment as part of our Specialty Services business.

Fiscal 2015 first quarter revenues were \$412.6 million, representing an increase of 12.2% over the prior year, reflecting growth within the Healthcare business segment due to our recent acquisitions, growth within the Europe, Middle East and Africa ("EMEA") and the Asia Pacific regions, and growth within the Isomedix business segment. Our gross margin percentage for the fiscal 2015 first quarter was 41.2% compared to 39.9% in the same fiscal 2014 period. Our gross margin percentage was impacted by the positive impact of foreign currency and favorable product mix. Although our recent acquisitions added value in terms of dollars, they negatively impacted our gross margin percentage, along with rising material costs and inflation.

Fiscal 2015 first quarter operating income was \$44.2 million compared with \$41.0 million for the fiscal 2014 first quarter. The increase in operating income is attributable to the higher gross margin attainment as well as an increase in revenues over the fiscal 2014 first quarter.

Cash flows from operations were \$46.4 million and free cash flow was \$23.1 million in the first three months of fiscal 2015 compared to \$32.7 million and \$11.0 million in the prior year first three months, respectively (see the subsection below titled "Non-GAAP Financial Measures", for additional information and related reconciliation of cash flows from operations to free cash flow). The increases in cash flow from operations and free cash flow are primarily due to working capital improvements. Our debt-to-total capital ratio was 38.3% at June 30, 2014 and 32.2% at March 31, 2014. During the first three months of fiscal 2015, we declared and paid quarterly cash dividends of \$0.21 per common share.

Additional information regarding our fiscal 2015 first quarter financial performance is included in the subsection below titled "Results of Operations."

## Matters Affecting Comparability

**International Operations.** Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the first quarter of fiscal 2015, our revenues were favorably impacted by \$1.1 million, or 0.26%, and income before taxes was favorably impacted by \$2.1 million, or 5.47%, as a result of foreign currency movements relative to the U.S. dollar.

## NON-GAAP FINANCIAL MEASURES

We, at times, refer to financial measures which are considered to be “non-GAAP financial measures” under SEC rules. We, at times, also refer to our results of operations excluding certain transactions or amounts that are non-recurring or are not indicative of future results, in order to provide meaningful comparisons between the periods presented.

These non-GAAP financial measures are not intended to be, and should not be, considered separately from or as an alternative to the most directly comparable GAAP financial measures.

These non-GAAP financial measures are presented with the intent of providing greater transparency to supplemental financial information used by management and the Board of Directors in their financial analysis and operational decision-making. These amounts are disclosed so that the reader has the same financial data that management uses with the belief that it will assist investors and other readers in making comparisons to our historical operating results and analyzing the underlying performance of our operations for the periods presented.

We believe that the presentation of these non-GAAP financial measures, when considered along with our GAAP financial measures and the reconciliation to the corresponding GAAP financial measures, provide the reader with a more complete understanding of the factors and trends affecting our business than could be obtained absent this disclosure. It is important for the reader to note that the non-GAAP financial measure used may be calculated differently from, and therefore may not be comparable to, a similarly titled measure used by other companies.

We define free cash flow as net cash provided by operating activities as presented in the Consolidated Statements of Cash Flows less purchases of property, plant, equipment, and intangibles plus proceeds from the sale of property, plant, equipment, and intangibles, which are also presented in the Consolidated Statements of Cash Flows. We use this as a measure to gauge our ability to fund future debt principal repayments, growth outside of core operations, repurchase common shares, and pay cash dividends. The following table summarizes the calculation of our free cash flow for the three month periods ended June 30, 2014 and 2013:

<i>(dollars in thousands)</i>	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
Net cash provided by operating activities	\$ 46,353	\$ 32,697
Purchases of property, plant, equipment and intangibles, net	(23,331)	(21,741)
Proceeds from the sale of property, plant, equipment and intangibles	71	8
<b>Free cash flow</b>	<b>\$ 23,093</b>	<b>\$ 10,964</b>

## Results of Operations

In the following subsections, we discuss our earnings and the factors affecting them for the first quarter of fiscal 2015 compared with the same fiscal 2014 period. We begin with a general overview of our operating results and then separately discuss earnings for our operating segments.

**Revenues.** The following table compares our revenues for the three months ended June 30, 2014 to the revenues for the three months ended June 30, 2013:



<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2014	2013		
<b>Total revenues</b>	\$ 412,643	\$ 367,652	\$ 44,991	12.2 %
<b>Revenues by type:</b>				
Capital equipment revenues	120,395	123,894	(3,499)	(2.8)%
Consumable revenues	110,045	99,034	11,011	11.1 %
Service revenues	182,203	144,724	37,479	25.9 %
<b>Revenues by geography:</b>				
United States revenues	317,351	288,353	28,998	10.1 %
International revenues	95,292	79,299	15,993	20.2 %

Revenues increased \$45.0 million, or 12.2%, to \$412.6 million for the quarter ended June 30, 2014, as compared to \$367.7 million for the same prior year quarter. Capital equipment revenues decreased \$3.5 million in the first quarter of fiscal 2015, as compared to the first quarter of fiscal 2014. This decrease was driven primarily by lower volumes within the North America and Latin America regions, which was partially offset by growth within the EMEA and Asia Pacific regions. Consumable revenues increased \$11.0 million for the quarter ended June 30, 2014, as compared to the prior year quarter, driven largely by growth within the North America, EMEA and Asia Pacific regions. Service revenues increased \$37.5 million in the first quarter of fiscal 2015 primarily driven by the fiscal 2015 acquisition of IMS, increases within the EMEA region, and increases in other service offerings.

United States revenues increased \$29.0 million, or 10.1%, to \$317.4 million for the quarter ended June 30, 2014, as compared to \$288.4 million for the same prior year quarter. This increase reflects year over year growth of 10.9% in consumable revenues, and 27.3% year over year growth in service revenues attributable largely to the fiscal 2015 acquisition of IMS.

International revenues increased \$16.0 million, or 20.2%, to \$95.3 million for the quarter ended June 30, 2014, as compared to \$79.3 million for the same prior year quarter. This increase reflects revenue growth in product and service revenues, particularly within the EMEA and Asia Pacific regions.

**Gross Profit.** The following table compares our gross profit for the three months ended June 30, 2014 to the three months ended June 30, 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2014	2013		
<b>Gross profit:</b>				
Product	\$ 100,465	\$ 93,390	\$ 7,075	7.6%
Service	69,628	53,456	16,172	30.3%
<b>Total gross profit</b>	<b>\$ 170,093</b>	<b>\$ 146,846</b>	<b>\$ 23,247</b>	<b>15.8%</b>
<b>Gross profit percentage:</b>				
Product	43.6%	41.9%		
Service	38.2%	36.9%		
<b>Total gross profit percentage</b>	<b>41.2%</b>	<b>39.9%</b>		

Our gross profit percentage is affected by the volume, pricing, and mix of sales of our products and services, as well as the costs associated with the products and services that are sold. Gross profit percentage for the first quarter of fiscal 2015 amounted to 41.2% as compared to the first quarter of fiscal 2014 gross profit percentage of 39.9%. The gross profit percentage increased 130 basis points. Our gross profit percentage was impacted by the positive impact of foreign currency (20 basis

points) and favorable product mix and other (200 basis points). Although our recent acquisitions added value in terms of dollars, they negatively impacted our gross margin percentage by approximately 70 basis points. Rising material costs and inflation also negatively impacted our gross margin percentage by approximately 10 basis points each, respectively.

**Operating Expenses.** The following table compares our operating expenses for the three months ended June 30, 2014 to the three months ended June 30, 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2014	2013		
<b>Operating expenses:</b>				
Selling, general, and administrative	\$ 113,688	\$ 93,929	\$ 19,759	21.0%
Research and development	12,409	11,853	556	4.7%
Restructuring expenses	(172)	52	(224)	NM
<b>Total operating expenses</b>	<b>\$ 125,925</b>	<b>\$ 105,834</b>	<b>\$ 20,091</b>	<b>19.0%</b>

NM - Not meaningful.

Significant components of total selling, general, and administrative expenses (“SG&A”) are compensation and benefit costs, fees for professional services, travel and entertainment, facilities costs, and other general and administrative expenses. The increase of 21.0% in the first quarter of fiscal 2015 over the first quarter of fiscal 2014 is largely attributable to the addition of operating expenses incurred by our recently acquired businesses.

For the three month period ended June 30, 2014, research and development expenses increased 4.7% over the same period in prior year. The increase is primarily attributable to additional expenses incurred by Eschmann Holdings Ltd. which was acquired during the fourth quarter of fiscal year 2014. Research and development expenses also are influenced by the number and timing of in-process projects and labor hours and other costs associated with these projects. Our research and development initiatives continue to emphasize new product development, product improvements, and the development of new technological platform innovations. During the first quarter of fiscal 2015, our investments in research and development continued to be focused on, but were not limited to, enhancing capabilities of sterile processing combination technologies, surgical products and accessories, and devices and support accessories used in gastrointestinal endoscopy procedures.

Restructuring expenses incurred during the first quarter of fiscal 2015 related to the previously announced Fiscal 2014 Restructuring Plan. The following table summarizes our total pre-tax restructuring expenses for the first quarter of fiscal 2015:

Three Months Ended June 30,	Fiscal 2014 Restructuring Plan (1)
<i>(dollars in thousands)</i>	
Severance and other compensation related costs	\$ (196)
Asset impairment and accelerated depreciation	(38)
Lease termination obligation and other	62
Product rationalization	(114)
<b>Total restructuring expenses</b>	<b>\$ (286)</b>

(1) Includes \$(114) in expense recorded to cost to revenues on Consolidated Statements of Income.

Pre-tax restructuring expenses of \$52 thousand incurred during the first quarter of fiscal 2014 related to previously announced restructuring plans.

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

	Fiscal 2014 Restructuring Plan			
	March 31, 2014	Fiscal 2015		June 30, 2014
		Provision	Payments (1)	
<i>(dollars in thousands)</i>				
Severance and termination benefits	\$ 6,389	\$ (196)	\$ (1,519)	\$ 4,674
Lease termination obligations and other	1,589	—	(988)	601
<b>Total</b>	<b>\$ 7,978</b>	<b>\$ (196)</b>	<b>\$ (2,507)</b>	<b>\$ 5,275</b>

(1) Certain amounts reported include the impact of foreign currency movements relative to the U.S. dollar.

**Non-Operating Expenses, Net.** Non-operating expenses, net consists of interest expense on debt, offset by interest earned on cash, cash equivalents, short-term investment balances, and other miscellaneous income. The following table compares our net non-operating expenses for the three months ended June 30, 2014 and 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		
	2014	2013	Change
<b>Non-operating expenses, net:</b>			
Interest expense	\$ 4,682	\$ 4,987	\$ (305)
Interest income and miscellaneous expense	(220)	(248)	28
<b>Non-operating expenses, net</b>	<b>\$ 4,462</b>	<b>\$ 4,739</b>	<b>\$ (277)</b>

Interest expense during the fiscal 2015 period decreased due to favorable interest rates on outstanding borrowings. Interest income and miscellaneous expense is immaterial.

**Income Tax Expense.** The following table compares our income tax expense and effective income tax rates for the three months ended June 30, 2014 to the three months ended June 30, 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,			Percent Change
	2014	2013	Change	
Income tax expense	\$ 15,169	\$ 3,956	\$ 11,213	283.4%
Effective income tax rate	38.2%	10.9%		

Income tax expense includes United States federal, state and local, and foreign income taxes, and is based on reported pre-tax income. The effective income tax rates for continuing operations for the three month period ended June 30, 2014 was 38.2% compared with 10.9% for the same prior year period. During the first quarter of fiscal 2015, we were unfavorably impacted by pretax losses in jurisdictions for which no tax benefit is recognized. Conversely, during the first quarter of fiscal 2014, we benefited from the recognition of previously unrecognized tax benefits due to the settlement of a federal tax examination.

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

**Business Segment Results of Operations.** We operate in three reportable business segments: Healthcare, Life Sciences, and Isomedix. Corporate and other, which is presented separately, contains the Defense and Industrial business unit plus costs that are associated with being a publicly traded company and certain other corporate costs. These costs include executive office costs, Board of Directors compensation, shareholder services and investor relations, external audit fees, and legacy pension and post-retirement benefit costs. Our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014, provides additional information regarding each business segment. The following table compares business segment revenues for the three months ended June 30, 2014 and 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2014	2013		
<b>Revenues:</b>				
Healthcare	\$ 302,810	\$ 258,888	\$ 43,922	17.0 %
Life Sciences	58,614	59,915	(1,301)	(2.2)%
Isomedix	51,193	48,224	2,969	6.2 %
<b>Total reportable segments</b>	<b>412,617</b>	<b>367,027</b>	<b>45,590</b>	<b>12.4 %</b>
Corporate and other	26	625	(599)	(95.8)%
<b>Total Revenues</b>	<b>\$ 412,643</b>	<b>\$ 367,652</b>	<b>\$ 44,991</b>	<b>12.2 %</b>

Healthcare revenues increased \$43.9 million, or 17.0%, to \$302.8 million for the quarter ended June 30, 2014, as compared to \$258.9 million for the same prior year quarter. This growth reflects increases in capital equipment, consumable and service revenues of 0.6%, 12.4% and 42.7%, respectively. These increases are primarily attributable to the addition of capital equipment and service revenues from our recent acquisitions, as well as organic growth in consumable and service revenues. At June 30, 2014, the Healthcare segment's backlog amounted to \$125.0 million, increasing \$4.8 million, or 4.0%, compared to the backlog of \$120.2 million at June 30, 2013.

Life Sciences revenues decreased \$1.3 million, or 2.2%, to \$58.6 million for the quarter ended June 30, 2014, as compared to \$59.9 million for the same prior year quarter. The growth of 6.4% in consumable revenues and 8.7% in service revenues was not enough to offset an 18.4% decline in capital equipment revenues, which was primarily due to the timing of shipments. At June 30, 2014, the Life Sciences segment's backlog amounted to \$46.0 million, increasing \$1.4 million, or 3.1%, compared to the backlog of \$44.6 million at June 30, 2013.

Isomedix segment revenues increased \$3.0 million, or 6.2%, to \$51.2 million for the quarter ended June 30, 2014, as compared to \$48.2 million for the same prior year quarter. Revenues were favorably impacted by increased volume from our core medical device Customers.

The following table compares our business segment operating results for the three months ended June 30, 2014 to the three months ended June 30, 2013:

<i>(dollars in thousands)</i>	Three Months Ended June 30,		Change	Percent Change
	2014	2013		
<b>Operating income:</b>				
Healthcare	\$ 17,966	\$ 14,947	\$ 3,019	20.2 %
Life Sciences	11,945	12,539	(594)	(4.7)%
Isomedix	16,191	14,718	1,473	10.0 %
<b>Total reportable segments</b>	<b>46,102</b>	<b>42,204</b>	<b>3,898</b>	<b>9.2 %</b>
Corporate and other	(1,934)	(1,192)	(742)	(62.2)%
<b>Total operating income</b>	<b>\$ 44,168</b>	<b>\$ 41,012</b>	<b>\$ 3,156</b>	<b>7.7 %</b>

Segment operating income is calculated as the segment's gross profit less direct expenses and indirect cost allocations, which results in the full allocation of all distribution and research and development expenses, and the partial allocation of corporate costs. Corporate cost allocations are based on each segment's percentage of revenues, headcount, or other variables in relation to those of the total Company. In addition, the Healthcare segment is responsible for the management of all but one manufacturing facility and uses standard cost to sell products to the Life Sciences segment. Corporate and other includes the revenues, gross profit and direct expenses of the Defense and Industrial business unit, as well as certain unallocated corporate costs related to being a publicly traded company and legacy pension and post-retirement benefits, as previously discussed.

The Healthcare segment's operating income increased \$3.0 million to \$18.0 million for the first quarter of fiscal 2015, as compared to \$14.9 million in the same prior year period. The segment's operating margins were 5.9% and 5.8% for the first quarter of fiscal 2015 and fiscal 2014, respectively, essentially remaining flat year over year. Although our recent acquisitions added to operating income, they negatively impacted our operating margins, as anticipated.

The Life Sciences segment's operating income decreased \$0.6 million to \$11.9 million for the first quarter of fiscal 2015, as compared to the same prior year period. The segment's operating margins were 20.4% and 20.9% for the first quarter of fiscal 2015 and fiscal 2014, respectively. The decrease was the result of lower revenue offset by favorable product mix and foreign currency impact.

The Isomedix segment's operating income increased \$1.5 million to \$16.2 million for the first quarter of fiscal 2015, as compared to the same prior year period. The segment's operating margins were 31.6% and 30.5% for the first quarter of fiscal 2015 and fiscal 2014, respectively. The increase was the result of increased volume from our core medical device Customers.

## Liquidity and Capital Resources

The following table summarizes significant components of our cash flows for the three months ended June 30, 2014 and 2013:

<i>(dollars in thousands)</i>	<b>Three Months Ended June 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Operating activities:</b>		
Net income	\$ 24,537	\$ 32,317
Non-cash items	21,940	23,321
Changes in operating assets and liabilities	(124)	(22,941)
<b>Net cash provided by operating activities</b>	<b>\$ 46,353</b>	<b>\$ 32,697</b>
<b>Investing activities:</b>		
Purchases of property, plant, equipment, and intangibles, net	\$ (23,331)	\$ (21,741)
Proceeds from the sale of property, plant, equipment, and intangibles	71	8
Investments in businesses, net of cash acquired	(179,012)	(115)
<b>Net cash used in investing activities</b>	<b>\$ (202,272)</b>	<b>\$ (21,848)</b>
<b>Financing activities:</b>		
Proceeds under credit facilities, net	\$ 165,260	\$ 21,410
Deferred financing fees and debt issuance costs	—	(43)
Repurchases of common shares	(5,319)	(4,775)
Cash dividends paid to common shareholders	(12,459)	(11,244)
Stock option and other equity transactions, net	7,150	8,482
Tax benefit from share-based compensation	3,835	718
<b>Net cash provided by financing activities</b>	<b>\$ 158,467</b>	<b>\$ 14,548</b>
Debt-to-total capital ratio	38.3%	34.6%
Free cash flow	\$ 23,093	\$ 10,964

**Net Cash Provided by Operating Activities** – The net cash provided by our operating activities was \$46.4 million for the first three months of fiscal 2015 as compared with \$32.7 million for the first three months of fiscal 2014. The increase in net cash provided by operating activities in fiscal 2015 is primarily due to working capital improvements.

**Net Cash Used In Investing Activities** – The net cash used in investing activities totaled \$202.3 million for the first three months of fiscal 2015 compared with \$21.8 million for the first three months of fiscal 2014. The following discussion summarizes the significant changes in our investing cash flows for the first three months of fiscal 2015 and fiscal 2014:

- Purchases of property, plant, equipment, and intangibles, net – Capital expenditures were \$23.3 million for the first three months of fiscal 2015 as compared to \$21.7 million during the same prior year period.
- Investments in businesses, net of cash acquired – During the first quarter of fiscal 2015, we used \$173.2 million of cash for the acquisition of IMS and related realty. For more information on this acquisition refer to note 18 to our consolidated financial statements titled, "Business Acquisitions". During the first quarter of fiscal 2015, we also paid a working capital settlement of \$0.8 million and deferred consideration of \$5.0 million for the fiscal 2014 acquisition of Eschmann Holdings Ltd. For more information on this acquisition refer to our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014.

**Net Cash Provided By Financing Activities** – The net cash provided by financing activities amounted to \$158.5 million for the first three months of fiscal 2015 compared with net cash provided by financing activities of \$14.5 million for the first three

months of fiscal 2014. The following discussion summarizes the significant changes in our financing cash flows for the first three months of fiscal 2015 and fiscal 2014:

- Proceeds under credit facilities— At June 30, 2014, we had \$318.7 million of debt outstanding under our credit facilities, reflecting net borrowings of \$165.3 million. At June 30, 2013, we had \$103.7 million of debt outstanding under our revolving credit facility, reflecting net borrowings of \$21.4 million.
- Repurchases of common shares – During the first three months of fiscal 2015, we obtained 125,998 of our common shares in connection with share-based compensation award programs for an aggregate amount of \$5.3 million. During the same period in fiscal 2014, we paid for the repurchase of 91,195 of our common shares and obtained 20,307 of our common shares in connection with stock based compensation award programs in the aggregate amount of \$4.8 million.
- Cash dividends paid to common shareholders – During the first three months of fiscal 2015, we paid total cash dividends of \$12.5 million, or \$0.21 per outstanding common share. During the first three months of fiscal 2014, we paid total cash dividends of \$11.2 million, or \$0.19 per outstanding common share.
- Stock option and other equity transactions, net – We receive cash for issuing common shares under our various employee stock option programs. During the first three months of fiscal 2015 and fiscal 2014, we received cash proceeds totaling \$7.2 million and \$8.5 million, respectively, under these programs.
- Tax benefit from share-based compensation – During the first three months of fiscal 2015, we received a total tax benefit from share based compensation of \$3.8 million. During the first three months of fiscal 2014, we received a total tax benefit from share based compensation of \$0.7 million. The increase in the first three months of fiscal 2015 over the same prior year period was primarily due to an increase in both the quantity and value of restricted shares vesting and stock options exercised.

**Cash Flow Measures.** Free cash flow was \$23.1 million in the first three months of fiscal 2015 compared to \$11.0 million in the prior year first three months (see the subsection above titled "Non-GAAP Financial Measures", for additional information and related reconciliation of cash flows from operations to free cash flow). The increase in free cash flow is primarily due to working capital improvements.

Our debt-to-total capital ratio was 38.3% at June 30, 2014 and 34.6% at June 30, 2013, reflecting increased borrowings subsequent to the first quarter of the prior year, in part to fund our fiscal 2015 first quarter acquisition of IMS.

**Sources of Credit and Contractual and Commercial Commitments.** Information related to our sources of credit and contractual and commercial commitments is included in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014. Our commercial commitments were approximately \$45.8 million at June 30, 2014 reflecting a net decrease of \$3.8 million in surety bonds and other commercial commitments from March 31, 2014. Our outstanding borrowing under the Credit Agreement and Swing Line Facility was \$318.7 million as of June 30, 2014. There were no letters of credit outstanding under the Credit Agreement at June 30, 2014.

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

### **Critical Accounting Policies, Estimates, and Assumptions**

Information related to our critical accounting policies, estimates, and assumptions is included in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014. Our critical accounting policies, estimates, and assumptions have not changed materially from March 31, 2014.

### **Contingencies**

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

We record a liability for such contingencies to the extent we conclude that their occurrence is both probable and estimable. We consider many factors in making these assessments, including the professional judgment of experienced members of management and our legal counsel. We have made estimates as to the likelihood of unfavorable outcomes and the amounts of such potential losses. In our opinion, the ultimate outcome of these proceedings and claims is not anticipated to have a material adverse affect on our consolidated financial position, results of operations, or cash flows. However, the ultimate outcome of proceedings, government investigations, and claims is unpredictable and actual results could be materially different from our estimates. We record expected recoveries under applicable insurance contracts when we are assured of recovery. Refer to Part II, Item 1, "Legal Proceedings" for additional information.

We are subject to taxation from United States federal, state and local, and foreign jurisdictions. Tax positions are settled primarily through the completion of audits within each individual tax jurisdiction or the closing of a statute of limitation. Changes in applicable tax law or other events may also require us to revise past estimates. The IRS routinely conducts audits of our federal income tax returns. We are no longer subject to United States federal examinations for years before fiscal 2014 and, with limited exceptions, we are no longer subject to United States state and local or non-United States income tax examinations by tax authorities for years before fiscal 2010. We remain subject to tax authority audits in various other jurisdictions in which we operate. If we prevail in matters for which accruals have been recorded, or are required to pay amounts in excess of recorded accruals, our effective income tax rate in a given financial statement period could be materially impacted.

Additional information regarding our commitments and contingencies is included in note 9 to our consolidated financial statements titled, "Commitments and Contingencies."

### **International Operations**

Since we conduct operations outside of the United States using various foreign currencies, our operating results are impacted by foreign currency movements relative to the U.S. dollar. During the first quarter of fiscal 2015, our revenues were favorably impacted by \$1.1 million, or 0.26%, and income before taxes was favorably impacted by \$2.1 million, or 5.47%, as a result of foreign currency movements relative to the U.S. dollar.

### **Forward-Looking Statements**

This Form 10-Q may contain statements concerning certain trends, expectations, forecasts, estimates, or other forward-looking information affecting or relating to the Company or its industry, products or activities that are intended to qualify for the protections afforded "forward-looking statements" under the Private Securities Litigation Reform Act of 1995 and other laws and regulations. Forward-looking statements speak only as to the date of this report, and may be identified by the use of forward-looking terms such as "may," "will," "expects," "believes," "anticipates," "plans," "estimates," "projects," "targets," "forecasts," "outlook," "impact," "potential," "confidence," "improve," "optimistic," "deliver," "comfortable," "trend", and "seeks," or the negative of such terms or other variations on such terms or comparable terminology. Many important factors could cause actual results to differ materially from those in the forward-looking statements including, without limitation, disruption of production or supplies, changes in market conditions, political events, pending or future claims or litigation, competitive factors, technology advances, actions of regulatory agencies, and changes in laws, government regulations, labeling or product approvals or the application or interpretation thereof. Other risk factors are described herein and in the Company's other securities filings, including Item 1A of our Annual Report on Form 10-K for the year ended March 31, 2014 dated May 29, 2014. Many of these important factors are outside STERIS's control. No assurances can be provided as to any result or the timing of any outcome regarding matters described herein or otherwise with respect to any regulatory action, administrative proceedings, government investigations, litigation, warning letters, consent decree, cost reductions, business strategies, earnings or revenue trends or future financial results. References to products and the consent decree are summaries only and should not be considered the specific terms of the decree or product clearance or literature. Unless legally required, 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. 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 or costs that leads to erosion of profit margins, (b) the possibility that market demand will not develop for new technologies, products or applications or services, or business initiatives will take longer, cost more or produce lower benefits than anticipated, (c) the possibility that application of or compliance with laws, court rulings, certifications, regulations, regulatory actions, including without limitation those relating to FDA warning notices or letters, government investigations, the outcome of any pending FDA requests, inspections or submissions, or other requirements or standards may delay, limit or prevent new product introductions, affect the production and marketing of existing products or services or otherwise affect Company performance, results, prospects or value, (d) the potential of international unrest, economic downturn or effects of currencies, tax assessments, adjustments or anticipated rates, raw material costs or availability, benefit or retirement plan costs, or other regulatory compliance costs, (e) the possibility of reduced demand, or reductions in the rate of growth in demand, for the Company's products and services, (f) the possibility that anticipated growth, cost savings, new product acceptance, performance or approvals, or other results may not be achieved, or that transition, labor, competition, timing, execution, regulatory, governmental, or other issues or risks associated with our business, industry or initiatives including, without limitation, the consent decree or those matters described in our Form 10-K for the year ended March 31, 2014 and other securities filings, may adversely impact Company performance, results, prospects or value, (g) the possibility that anticipated financial results or benefits of recent acquisitions, or of our restructuring efforts will not be realized or will be other than anticipated, (h) the effects of the contractions in credit availability, as well as the ability of our Customers and suppliers to adequately access the credit markets when needed, and (i) those risks described in our Annual Report on Form 10-K for the year ended March 31, 2014, and other securities filings.

#### **Availability of Securities and Exchange Commission Filings**

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

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

In the ordinary course of business, we are subject to interest rate, foreign currency, and commodity risks. Information related to these risks and our management of these exposures is included in Part II, Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014. Our exposures to market risks have not changed materially since March 31, 2014.

### **ITEM 4. CONTROLS AND PROCEDURES**

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

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Securities Exchange Act of 1934, that occurred during the quarter ended June 30, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**PART II—OTHER INFORMATION****ITEM 1. LEGAL PROCEEDINGS**

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

We believe we have adequately reserved for our current litigation and claims that are probable and estimable, and further believe that the ultimate outcome of these pending lawsuits and claims will not have a material adverse effect on our consolidated financial position or results of operations taken as a whole. Due to their inherent uncertainty, however, there can be no assurance of the ultimate outcome or effect of current or future litigation, investigations, claims or other proceedings (including without limitation the FDA-related matters discussed below). For certain types of claims, we presently maintain insurance coverage for personal injury and property damage and other liability coverages in amounts and with deductibles that we believe are prudent, but there can be no assurance that these coverages will be applicable or adequate to cover adverse outcomes of claims or legal proceedings against us.

In April 2010, after ongoing discussions with the FDA regarding a 2008 warning letter relating to our SYSTEM 1® sterile processor and related sterilant, we reached agreement with the FDA on the terms of a consent decree (“Consent Decree”). The Consent Decree was approved the same month by the U.S. District Court for the Northern District of Ohio. In general, among other matters, the Consent Decree restricts further sales of SYSTEM 1 processors in the U.S., prohibits the sale of liquid chemical sterilization or disinfection products in the U.S. that do not have FDA clearance, describes various process and compliance matters, and defines penalties in the event of violation of the Consent Decree.

On May 31, 2012, our Albert Browne Limited subsidiary received a warning letter from the FDA regarding chemical indicators manufactured in the United Kingdom. These devices are intended for the monitoring of certain sterilization and other processes. The FDA warning letter states that the agency has concerns regarding operational business processes. We do not believe that the FDA's concerns are related to product performance, or that they result from Customer complaints. We have reviewed our processes with the agency and finalized our remediation measures, and are awaiting FDA reinspection. We do not currently believe that the impact of this event will have a material adverse effect on our financial results.

On May 23, 2014, the Company received a warning letter from the FDA regarding an inspection that the FDA concluded on January 8, 2014 at our STERIS Isomedix Services facility located in Libertyville, Illinois. The facility primarily provides microbial reduction services for certain medical device Customers. Among other matters, the FDA warning letter asserts that certain processes and procedures observed during the inspection did not conform to current Good Manufacturing Practices for medical devices as required by Title 21 CFR Part 820 and, as a result, that certain devices processed at the subject facility are adulterated within the meaning of the Federal Food, Drug and Cosmetic Act. Since the inspection, the Company has provided detailed responses to the FDA regarding its corrective actions, and has continued to work diligently to remediate the FDA's concerns. We do not believe that this inspection was a result of Customer complaints and there have been no reports of patient injury. We do not expect this situation to have a material adverse effect on our operations or financial condition.

Other civil, criminal, regulatory or other proceedings involving our products or services could possibly result in judgments, settlements or administrative or judicial decrees requiring us, among other actions, to pay damages or fines or effect recalls, or be subject to other governmental, Customer or other third party claims or remedies, which could materially affect our business, performance, prospects, value, financial condition, and results of operations.

For additional information regarding these matters, see the following portions of our Annual Report on Form 10-K for the fiscal year ended March 31, 2014: “Business - Information with respect to our Business in General - Government Regulation”, and the “Risk Factor” titled: “We may be adversely affected by product liability claims or other legal actions or regulatory or compliance matters, including the Consent Decree” and the “Risk Factor” titled “Compliance with the Consent Decree may be more costly and burdensome than anticipated.

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

Additional information regarding our contingencies is included in Item 7 of Part II, titled "Management's Discussion and Analysis of Financial Conditions and Results of Operations, of our Annual Report on Form 10-K for the year ended March 31, 2014, dated May 29, 2014, and in this Form 10-Q in note 9 to our consolidated financial statements titled "Commitments and Contingencies."

## ITEM 1A. RISK FACTORS

We believe there have been no material changes to the risk factors included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2014, dated May 29, 2014, that would materially affect our business, results of operations, or financial condition.

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

During the first quarter of fiscal 2015, we obtained 125,998 of our common shares in connection with stock based compensation award programs. As of June 30, 2014, \$86.9 million in common shares remained authorized for repurchase under a single repurchase program which was approved by our Board of Directors and announced on March 14, 2008, authorizing the repurchase of up to \$300.0 million of our common shares. This common share repurchase authorization does not have a stated maturity date. The following table summarizes the common share repurchase activity during the first quarter of fiscal 2015 under our common share repurchase program:

	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans at Period End
April 1-30	—	\$ —	—	\$ 86,939
May 1-31	—	—	—	86,939
June 1-30	—	—	—	86,939
Total	— (1)	\$ — (1)	—	\$ 86,939

(1) Does not include 67 shares purchased during the quarter at an average price of \$51.45 per share by the STERIS Corporation 401(k) Plan on behalf of certain executive officers of the Company who may be deemed to be affiliated purchasers.

**ITEM 6. EXHIBITS**

**Exhibits required by Item 601 of Regulation S-K**

<b><u>Exhibit Number</u></b>	<b><u>Exhibit Description</u></b>
3.1	1992 Amended Articles of Incorporation of STERIS Corporation, as amended on May 14, 1996, November 6, 1996, and August 6, 1998 (filed as Exhibit 3.1 to Form 10-K filed for the fiscal year ended March 31, 2000 (Commission File No. 1-14643), and incorporated herein by reference).
3.2	Amended and Restated Regulations of STERIS Corporation, as amended on July 26, 2007 (filed as Exhibit 3.2 to Form 10-Q for the fiscal quarter ended June 30, 2007 (Commission File No. 1-14643), and incorporated herein by reference).
4.1	Specimen Form of Common Stock Certificate (filed as Exhibit 4.1 to Form 10-K filed for the fiscal year ended March 31, 2002 (Commission File No. 1-14643), and incorporated herein by reference).
10.1	STERIS Corporation 2006 Long-Term Equity Incentive Plan (as Amended and Restated Effective March 13, 2014) (filed as Appendix A to Schedule 14A (Definitive Proxy Statement) filed June 9, 2014 (Commission File No. 14643), and incorporated herein by reference).
10.2	Joinder Supplement to Third Amended and Restated Guaranty of Payment by Integrated Medical Systems International, Inc. and dated June 20, 2014.
10.3	Guaranty Supplement dated June 20, 2014 by Integrated Medical Systems International, Inc.
10.4	Guaranty Supplement dated June 20, 2014 by Integrated Medical Systems International, Inc.
10.5	Guaranty Supplement dated June 20, 2014 by Integrated Medical Systems International, Inc.
10.6	STERIS Corporation Management Incentive Compensation Plan
10.7	Description of Non-Employee Director Compensation Changes
15.1	Letter Re: Unaudited Interim Financial Information.
31.1	Certification of the Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant Section 906 of the Sarbanes-Oxley Act of 2002.
EX-101	Instance Document.
EX-101	Schema Document.
EX-101	Calculation Linkbase Document.
EX-101	Definition Linkbase Document.
EX-101	Labels Linkbase Document.
EX-101	Presentation Linkbase Document.

**SIGNATURE**

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

STERIS Corporation

/s/ MICHAEL J. TOKICH

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**Michael J. Tokich**  
**Senior Vice President, Chief Financial Officer and Treasurer**  
**August 8, 2014**

**EXHIBIT INDEX**

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JOINDER SUPPLEMENT  
TO  
THIRD AMENDED AND RESTATED GUARANTY OF PAYMENT

This JOINDER SUPPLEMENT TO THIRD AMENDED AND RESTATED GUARANTY OF PAYMENT, dated as of June 20, 2014 (this "Supplement"), is made by Integrated Medical Systems International, Inc., a Delaware corporation (together with its successors and assigns, the "Additional Guarantor").

Recitals:

A. STERIS Corporation, an Ohio corporation (the "Borrower"), is a party to the Third Amended and Restated Credit Agreement, dated as of April 13, 2012, as amended by that certain Amendment No. 1 thereto dated October 12, 2012 (as the same may from time to time be amended, restated or otherwise modified, the "Credit Agreement"), with the lenders from time to time party thereto (collectively, the "Lenders"), and KeyBank National Association, as agent for the Lenders (the "Agent").

B. In connection with the Credit Agreement, the Third Amended and Restated Guaranty of Payment, dated as of April 13, 2012 (as the same may from time to time be amended, restated, supplemented or otherwise modified, the "Guaranty"), was executed by the Guarantors, as defined in the Guaranty, in favor of the Agent, for the benefit of the Lenders.

C. The Additional Guarantor is a Material Subsidiary of the Borrower and, pursuant to Section 5.19 of the Credit Agreement, is required to become a "Guarantor" under the Guaranty and to guarantee, for the benefit of Agent and the Lenders, all of the Debt, as defined in the Credit Agreement.

D. The Additional Guarantor deems it to be in its direct pecuniary and business interests to become a "Guarantor" under the Guaranty and, accordingly, desires to enter into this Supplement in order to satisfy the condition described in the preceding paragraph and to induce the Agent and the Lenders, to make financial accommodations to or for the benefit of the Additional Guarantor.

E. The Additional Guarantor desires to become a Guarantor under the Guaranty.

Agreement:

In consideration of the foregoing and the other benefits accruing to the Additional Guarantor, the receipt and sufficiency of which are hereby acknowledged, the Additional Guarantor covenants and agrees with the Agent and the Lenders as follows:

1. Definitions. Capitalized terms used in this Supplement and not otherwise defined herein or in the Guaranty shall have the meanings given to such terms in the Credit Agreement.

2. Supplement; Guaranty. The Additional Guarantor hereby acknowledges, agrees and confirms that, by its execution of this Supplement, on and after the date hereof it shall become a party to the Guaranty and shall be fully bound by, and subject to, all of the covenants, terms, obligations and conditions of the Guaranty applicable to a "Guarantor" as though originally party thereto as a "Guarantor," and the Additional Guarantor shall be deemed a "Guarantor" for all purposes of the Guaranty and the other Loan Documents. The Additional Guarantor acknowledges and confirms that it has received a copy of the Guaranty, the other Loan Documents and all exhibits thereto and has reviewed and understands all of the terms and provisions thereof. The Additional Guarantor (a) agrees that it will comply with all the terms and conditions of the Guaranty as if it were an original signatory thereto, and (b) irrevocably and unconditionally guarantees to the Agent and the Lenders 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 (whether at the stated maturity, by acceleration or otherwise).

3. Representations and Warranties. The Additional Guarantor, as of the date hereof, hereby:

(a) makes to the Agent and the Lenders each of the representations and warranties contained in the Guaranty applicable to a Guarantor, except it is understood that Guarantor may be in the process of qualifying, but not presently qualified, in certain jurisdictions in which it holds assets; and

(b) represents and warrants that upon the execution and delivery of this Supplement, all of the conditions set forth in Section 5.19 of the Credit Agreement have been satisfied.

4. Successors and Assigns; Entire Agreement. This Supplement is binding upon and shall inure to the benefit of the Additional Guarantor, the Agent and each of the Lenders and their respective successors and assigns. This Supplement and the

Guaranty set forth the entire agreement and understanding between the parties as to the subject matter hereof and merge and supersede all prior discussions, agreements and understandings of any and every nature among them. This Supplement shall be a Loan Document under the Credit Agreement.

5. Effect of this Supplement. Except as supplemented hereby, the Guaranty is hereby ratified and confirmed and shall remain in full force and effect.

6. Effectiveness. This Supplement shall not become effective unless and until it shall have been executed and delivered by the Additional Guarantor to the Agent and acknowledged and agreed to by each other Guarantor under the Guaranty.

7. Headings. The descriptive headings of this Supplement are for convenience or reference only and do not constitute a part of this Supplement.

8. Governing Law. This Supplement is governed by and construed in accordance with Ohio law, without regard to principals of conflict of laws.

9. JURY TRIAL WAIVER. THE ADDITIONAL GUARANTOR HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS SUPPLEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. IN WITNESS WHEREOF, the Additional Guarantor has duly executed this Supplement as of the date first written above.

Integrated Medical Systems International, Inc.

By: /s/ Michael J. Tokich  
Name: Michael J. Tokich  
Title: President

Acknowledged and agreed to:

**STERIS CORPORATION**

By: /s/ Michael J. Tokich  
Name: Michael J. Tokich  
Title: Senior Vice President, Chief Financial Officer, and Treasurer

Acknowledged and agreed to:

**AMERICAN STERILIZER COMPANY**  
**STERIS INC.**  
**UNITED STATES ENDOSCOPY GROUP, INC.**  
**SPECTRUM SURGICAL INSTRUMENTS CORP.**

By: /s/ Michael J. Tokich  
Name: Michael J. Tokich  
Title: President

Acknowledged and agreed to:

**ISOMEDIX OPERATIONS INC.**  
**STERIS ISOMEDIX SERVICES, INC.**

By: /s/ Michael J. Tokich  
Name: Michael J. Tokich  
Title: Vice President and Secretary





**GUARANTY SUPPLEMENT**

To the Holders of the Notes  
(as hereinafter defined) of STERIS  
Corporation (the "Company")

Re: Integrated Medical Systems International, Inc. – 2003 Senior Note Issuance

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company issued the \$20,000,000 aggregate principal amount of its 5.38% Senior Notes, Series A-3, due December 15, 2015 (the "Notes") pursuant to those certain Note Purchase Agreements dated as of December 17, 2003 (the "Note Purchase Agreements") between the Company and each of the purchasers named on Schedule A thereto (the "Initial Note Purchasers").

WHEREAS, as a condition precedent to their purchase of the Notes, the Initial Note Purchasers required that certain subsidiaries of the Company enter into a Subsidiary Guaranty as security for the Notes (the "Guaranty").

Pursuant to Section 9.7 of the Note Purchase Agreements, the Company has agreed to cause the undersigned, Integrated Medical Systems International, Inc., a corporation formed under the laws of Delaware (the "Additional Guarantor"), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after the date hereof, the Additional Guarantor shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreements and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantor, a direct or indirect subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to this Guaranty Supplement, but

nevertheless all such references shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

Dated: June 20, 2014

Integrated Medical Systems International, Inc.

By: /s/ Michael J. Tokich

Michael J. Tokich  
President

Accepted and Agreed:

STERIS CORPORATION

By: /s/ Michael J. Tokich

Michael J. Tokich  
Senior Vice President,

Chief Financial Officer and Treasurer

SUBSIDIARY GUARANTY  
Dated as of December 17, 2003

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

of

STERIS CORPORATION

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## SUBSIDIARY GUARANTY

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

This SUBSIDIARY GUARANTY dated as of December 17, 2003 (the or this "*Guaranty*") is entered into on a joint and several basis by each of the undersigned, together with any entity which may become a party hereto by execution and delivery of a Guaranty Supplement in substantially the form set forth as Exhibit A hereto (a "*Guaranty Supplement*") (which parties are hereinafter referred to individually as a "*Guarantor*" and collectively as the "*Guarantors*").

### RECITALS

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

B. In order to refinance certain debt and for general corporate purposes, the Company has entered into those certain Note Purchase Agreements dated as of December 17, 2003 (the "*Note Purchase Agreements*") between the Company and each of the purchasers named on Schedule A thereto (the "*Initial Note Purchasers*"; the Initial Note Purchasers, together with their successors, assigns or any other future holder of the Notes (as defined below), the "*Holders*"), providing for, *inter alia*, the issue and sale by the Company to the Initial Note Purchasers of \$40,000,000 aggregate principal amount of its 4.20% Senior Notes, Series A-1, due December 15, 2008, \$40,000,000 aggregate principal amount of its 5.25% Senior Notes, Series A-2, due December 15, 2013 and \$20,000,000 aggregate principal amount of its 5.38% Senior Notes, Series A-3, due December 15, 2015.

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

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

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

#### SECTION 1. DEFINITIONS.

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

#### SECTION 2. GUARANTY OF NOTES AND NOTE PURCHASE AGREEMENTS.

(a) Subject to the limitation set forth in Section 2(b) hereof and to the provisions of **Section 13** hereof, each Guarantor jointly and severally does hereby absolutely and unconditionally guarantee unto the Holders: (1) the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, Make-Whole Amount, if any, or interest at the rate set forth in the Notes and interest accruing at the then applicable rate provided in the Notes after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) in Federal or other immediately available funds of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owed by the Company under the terms of the Notes and the Note Purchase Agreements and (3) the full and prompt payment, upon demand by any Holder, of all reasonable actual out of pocket costs and expenses, legal or otherwise (including attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any rights, privileges or liabilities in favor of the Holders under or in respect of the Notes, the Note Purchase Agreements or under this Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective of the validity, regularity, or enforcement of any of the Notes or Note Purchase Agreements or any of the terms thereof or any other like circumstance or circumstances.

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

### SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

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

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

### SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

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

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any Debt, liability or obligation of the Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligations of the Company on the Notes, or waive any Default with respect thereto, or waive, modify, amend or change any provision of any other agreement or this Guaranty; or

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to any Guarantor of failure of the Company, any

Guarantor or any other Person to keep and perform any obligation, covenant or agreement under the terms of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or failure to resort for payment to the Company, any other Guarantor or to any other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

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

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

(12) any defense whatsoever that: (i) the Company or any other Person might have to the payment of the Notes (principal, Make-Whole Amount, if any, or interest), other than payment thereof in Federal or other immediately available funds, or (ii) the Company or any other Person might have to the performance or observance of any of the provisions of the Notes, the Note Purchase Agreements or any other agreement, whether through the satisfaction or purported satisfaction by the Company, any other Guarantor or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise, other than the defense of indefeasible payment in full in cash of the Notes; or

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

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

*provided* that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty and the parties hereto that the obligations of each Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except pursuant to **Section 13** hereof and by the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase Agreements, at the place specified

in and all in the manner and with the effect provided in the Notes and the Note Purchase Agreements, as each may be amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Company shall default under or in respect of the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

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

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

(f) To the extent of any payments made under this Guaranty, each Guarantor making such payment shall have a right of contribution from the other Guarantors, but such Guarantor covenants and agrees that such right of contribution shall be subordinate in right of payment to the rights of the Holders for which full payment has not been made or provided for and, to that end, such Guarantor agrees not to claim or enforce any such right of contribution unless and until all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully and irrevocably paid and discharged.

(h) Each Guarantor agrees that to the extent the Company, any other Guarantor or any other Person makes any payment on any Note, which payment or any part thereof is

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

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

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

## **SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.**

Each Guarantor represents and warrants to each Holder that:

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

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

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

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

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

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(a) This Guaranty has been duly authorized by all necessary action on the part of such Guarantor, and upon execution and delivery of this Guaranty and of the Note Purchase Agreements and receipt of consideration for the Note Purchase Agreements and the Notes, this Guaranty will constitute a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). any proceeding in any such court and waives personal service of any and all process upon it, and (3) consents that all such service of process be made by delivery to it at the address of such

Person set forth in Section 11 below or to its agent referred to below at such agent's address set forth below (with a courtesy copy to such Guarantor at the address set forth in Section 11) and that service so made shall be deemed to be completed upon actual receipt. Each Guarantor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any Holder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against a Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

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

## **SECTION 9. [RESERVED]**

## **SECTION 10. AMENDMENTS, WAIVERS AND CONSENTS.**

(a) This Guaranty may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each Guarantor and the Required Holders.

(b) The Guarantors will provide each Holder (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof. The Guarantors will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 10 to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders.

(c) The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of fee or otherwise, or grant any security, to any Holder as consideration for or as an inducement to the entering into by any Holder of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Holder even if such Holder did not consent to such waiver or amendment.

(d) Any amendment or waiver consented to as provided in this **Section 10** applies equally to all Holders and is binding upon them and upon each future holder and upon the Guarantors. No such amendment or waiver will extend to or affect any obligation, covenant

or agreement not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Guarantors and any Holder nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of any Holder. As used herein, the term "this Guaranty" and references thereto shall mean this Guaranty as it may from time to time be amended or supplemented.

(e) Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Guaranty, Notes directly or indirectly owned by any Guarantor, the Company or any of their respective subsidiaries or Affiliates shall be deemed not to be outstanding.

## **SECTION 11. NOTICES.**

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

(1) if to an Initial Note Purchaser or such Initial Note Purchaser's nominee, to such Initial Note Purchaser or such Initial Note Purchaser's nominee at the address specified for such communications in Schedule A to the Note Purchase Agreements, or at such other address as such Initial Note Purchaser or such Initial Note Purchaser's nominee shall have specified to any Guarantor or the Company in writing,

(2) if to any other Holder, to such Holder at such address as such Holder shall have specified to any Guarantor or the Company in writing, or

(3) if to any Guarantor, to such Guarantor c/o the Company at its address set forth at the beginning of the Note Purchase Agreements to the attention of Corporate Treasurer, or at such other address as such Guarantor shall have specified to the Holders in writing.

Notices under this **Section 11** will be deemed given only when actually received.

## **SECTION 12. MISCELLANEOUS.**

(a) No remedy herein conferred upon or reserved to any Holder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Holder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Holder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) The Guarantors will pay all sums becoming due under this Guaranty by the method and at the address specified in the Note Purchase Agreements, or by such other method or at such other address as any Holder shall have from time to time specified to the Guarantors in writing for such purpose, without the presentation or surrender of this Guaranty or any Note.

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

(d) If the whole or any part of this Guaranty shall be now or hereafter become unenforceable against any one or more of the Guarantors for any reason whatsoever or if it is not executed by any one or more of the Guarantors, this Guaranty shall nevertheless be and remain fully binding upon and enforceable against each other Guarantor as if it had been made and delivered only by such other Guarantors.

(e) This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of each Holder and its successors and assigns so long as its Notes remain outstanding and unpaid.

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

### SECTION 13. RELEASE.

Notwithstanding anything that may be contained herein to the contrary, the Holders agree that, in accordance with Section 2.2(e) of the Note Purchase Agreements, this Guaranty shall be automatically released and discharged without the necessity of further action on the part of the Holders if, and to the extent, the corresponding guaranty given pursuant to the terms of the Bank Credit Agreement is released and discharged; *provided* that in the event the Guarantor shall again become obligated under or with respect to the previously discharged Guaranty pursuant to the terms and provisions of the Guaranty, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the obligations of such Guarantor under this Guaranty shall be reinstated and any release thereof previously given shall be deemed null and void, and such Guaranty shall again benefit the Holders on an equal and *pro rata* basis and such Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the Holders shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. The Company shall promptly notify the Holders of any release of a Subsidiary Guaranty pursuant to this **Section 13** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

[Intentionally Blank]



**IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed by an authorized representative as of this 17th day of December, 2003.**

**ECOMED, INC.  
AMERICAN STERILIZER COMPANY  
STERIS EUROPE, INC.  
STERIS ASIA PACIFIC, INC.  
STERIS INC.  
STERIS LATIN AMERICA, INC.  
HTD HOLDING CORP.  
HSTD LLC  
HAUSTED, INC.  
ISOMEDIX INC.  
ISOMEDIX OPERATIONS INC.  
STERILTEK, INC.  
STRATEGIC TECHNOLOGY ENTERPRISES, INC.**

**By: \_\_\_\_\_ Name: William L. Aamo Title: Treasurer**

**Accepted and Agreed: STERIS CORPORATION**

**By \_\_\_\_\_ Name: William L. Aamo Title: Treasurer**

**GUARANTY SUPPLEMENT**

To the Holders of the Series A-2 Notes and Series A-3 Notes (as hereinafter defined) of STERIS Corporation (the “Company”)

Re: Integrated Medical Systems International, Inc. – 2008 Senior Note Issuance

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company issued (a) \$85,000,000 aggregate principal amount of its 6.33% Senior Notes, Series A-2, due August 15, 2018 (the “Series A-2 Notes”) and (b) \$35,000,000 aggregate principal amount of its 6.43% Senior Notes, Series A-3, due August 15, 2020 (the “Series A-3 Notes”); the Series A-2 Notes and the Series A-3 Notes shall be collectively referred to herein to the “Notes”) pursuant to those certain Note Purchase Agreements dated as of August 15, 2008 (the “Note Purchase Agreements”) between the Company and each of the purchasers named on Schedule A thereto (the “Initial Note Purchasers”).

WHEREAS, as a condition precedent to their purchase of the Notes, the Initial Note Purchasers required that certain subsidiaries of the Company enter into a Subsidiary Guaranty as security for the Notes (the “Guaranty”).

Pursuant to Section 9.7 of the Note Purchase Agreements, the Company has agreed to cause the undersigned, Integrated Medical Systems International, Inc., a corporation organized under the laws of Delaware (the “Additional Guarantor”), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after the date hereof, the Additional Guarantor shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreements and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantor, a subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to this Guaranty Supplement, but nevertheless all such references shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

Dated: June 20, 2014

Integrated Medical Systems International, Inc.

By: /s/ Michael J. Tokich

Michael J. Tokich  
President

Accepted and Agreed:

STERIS CORPORATION

By: /s/ Michael J. Tokich

Chief Financial Officer, and Treasurer

Michael J. Tokich  
Senior Vice President,

SUBSIDIARY GUARANTY

Dated as of August 15, 2008

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

of

STERIS CORPORATION

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(Not a part of the Agreement)

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## SUBSIDIARY GUARANTY

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

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

### RECITALS

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

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

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

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

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

SECTION 1. DEFINITIONS.

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

SECTION 2. GUARANTY OF NOTES AND NOTE PURCHASE AGREEMENTS.

(a) Subject to the limitation set forth in Section 2(b) hereof and to the provisions of **Section 13** hereof, each Guarantor jointly and severally does hereby absolutely and unconditionally guarantee unto the Holders: **(1)** the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, Make-Whole Amount, if any, or interest at the rate set forth in the Notes and interest accruing at the then applicable rate provided in the Notes after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) in Federal or other immediately available funds of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, **(2)** the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owed by the Company under the terms of the Notes and the Note Purchase Agreements and **(3)** the full and prompt payment, upon demand by any Holder, of all reasonable actual out of pocket costs and expenses, legal or otherwise (including attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any rights, privileges or liabilities in favor of the Holders under or in respect of the Notes, the Note Purchase Agreements or under this Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective of the validity, regularity, or enforcement of any of the Notes or Note Purchase Agreements or any of the terms thereof or any other like circumstance or circumstances.

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

SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE.

This is a guarantee of payment and performance and each Guarantor hereby waives, to the fullest extent permitted by law, any right to require that any action on or in respect of any Note or the Note Purchase Agreements be brought against the Company or any other Person or that resort be had to any direct or indirect security for the Notes or for this Guaranty or any other remedy. Any Holder may, at its option, proceed hereunder against any Guarantor in the first instance to collect monies when due, the payment of which is guaranteed hereby, without **first** proceeding

against the Company or any other Person and without first resorting to any direct or indirect security for the Notes or for this Guaranty or any other remedy. The liability of each



Guarantor hereunder shall in no way be affected or impaired by any acceptance by any Holder of any direct or indirect security for, or other guaranties of, any Debt, liability or obligation of the Company or any other Person to any Holder or by any failure, delay, neglect or omission by any Holder to realize upon or protect any such guaranties, Debt, liability or obligation or any notes or other instruments evidencing the same or any direct or indirect security therefor or by any approval, consent, waiver, or other action taken, or omitted to be taken by any such Holder.

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

#### SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY.

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

(1) extend in whole or in part (by renewal or otherwise), modify, change, compromise, release or extend the duration of the time for the performance or payment of any Debt, liability or obligation of the Company or of any other Person secondarily or otherwise liable for any Debt, liability or obligations of the Company on the Notes, or waive any Default with respect thereto, or waive, modify, amend or change any provision of any other agreement or this Guaranty; or

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

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

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

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

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

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

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

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

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

(9) any failure or lack of diligence in collection or protection, failure in presentment or demand for payment, protest, notice of protest, notice of default and of nonpayment, any failure to give notice to any Guarantor of failure of the Company, any

Guarantor or any other Person to keep and perform any obligation, covenant or agreement under the terms of the Notes, the Note Purchase Agreements, this Guaranty or any other agreement or failure to resort for payment to the Company, any other Guarantor or to any other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

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

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

(12) any defense whatsoever that: (i) the Company or any other Person might have to the payment of the Notes (principal, Make-Whole Amount, if any, or interest), other than payment thereof in Federal or other immediately available funds, or (ii) the Company or any other Person might have to the performance or observance of any of the provisions of the Notes, the Note Purchase Agreements or any other agreement, whether through the satisfaction or purported satisfaction by the Company, any other Guarantor or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise, other than the defense of indefeasible payment in full in cash of the Notes; or

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

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

*provided* that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty and the parties hereto that the obligations of each Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except pursuant to **Section 13** hereof and by the payment of the principal of, Make-Whole Amount, if any, and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase

Agreements, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Purchase Agreements, as each may be amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Company shall default under or in respect of the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

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

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

(f) To the extent of any payments made under this Guaranty, each Guarantor making such payment shall have a right of contribution from the other Guarantors, but such Guarantor covenants and agrees that such right of contribution shall be subordinate in right of payment to the rights of the Holders for which full payment has not been made or provided for and, to that end, such Guarantor agrees not to claim or enforce any such right of contribution unless and until all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully and irrevocably paid and discharged.

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

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

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

## SECTION 5 . REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.

Each Guarantor represents and warrants to each Holder that:

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

(b) This Guaranty has been duly authorized by all necessary action on the part of such Guarantor, and upon execution and delivery of this Guaranty and of the Note Purchase Agreements and receipt of consideration for the Note Purchase Agreements and the Notes, this Guaranty will constitute a legal, valid and binding obligation of such Guarantor enforceable against such Guarantor in accordance with its terms, except as such enforceability may be limited by (1)

applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance by such Guarantor of this Guaranty will not (1) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, charter document or by-law, or any other material agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, (2) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor or (3) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the such Guarantor.

(d) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Guarantor is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty.

(e) Such Guarantor has capital not unreasonably small in relation to its business or any contemplated or undertaken transaction and has assets having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts as they become due and greater than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured. Such Guarantor does not intend to incur, or believe or should have believed that it will incur, debts beyond its ability to pay such debts as they become due. Such Guarantor will not be rendered insolvent by the execution and delivery of, and performance of its obligations under, this Guaranty. Such Guarantor does not intend to hinder, delay or defraud its creditors by or through the execution and delivery of, or performance of its obligations under, this Guaranty.

#### SECTION 6. GUARANTOR COVENANTS.

From and after the date of issuance of the Notes by the Company and continuing so long as any amount remains unpaid thereon each Guarantor agrees to comply with the terms and provisions of Sections 9.1, 9.2, 9.3, 9.4 and 9.5 of the Note Purchase Agreements, insofar as such provisions apply to such Guarantor, as if said Sections were set forth herein in full.

#### SECTION 7. [RESERVED]

#### SECTION 8. GOVERNING LAW.

(a) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE THEREIN.

(a) Each Guarantor hereby (I) irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Guaranty may be litigated in such courts, and (2) waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and (3) consents that all such service of process be made by delivery to it at the address of such Person set forth in Section 11 below or to its agent referred to below at such agent's address set forth below (with a courtesy copy to such Guarantor at the address set forth in Section 11) and that service so made shall be deemed to be completed upon actual receipt. Each Guarantor hereby irrevocably appoints CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any Holder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against a Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

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

SECTION 9. [RESERVED]

SECTION 10. AMENDMENTS, WAIVERS AND CONSENTS.

(b) This Guaranty may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each Guarantor and the Required Holders.

(c) The Guarantors will provide each Holder (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof. The Guarantors will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 10** to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders.

(d) The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of fee or otherwise, or grant any security, to any Holder as consideration for or as an

inducement to the entering into by any Holder of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Holder even if such Holder did not consent to such waiver or amendment.

(d) Any amendment or waiver consented to as provided in this Section 10 applies equally to all Holders and is binding upon them and upon each future holder and upon the Guarantors. No such amendment or waiver will extend to or affect any obligation, covenant or agreement not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Guarantors and any Holder nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of any Holder. As used herein, the term "this Guaranty" and references thereto shall mean this Guaranty as it may from time to time be amended or supplemented.

(e) Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Guaranty, Notes directly or indirectly owned by any Guarantor, the Company or any of their respective subsidiaries or Affiliates shall be deemed not to be outstanding.

#### SECTION 11. NOTICES.

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

(1) if to an Initial Note Purchaser or such Initial Note Purchaser's nominee, to such Initial Note Purchaser or such Initial Note Purchaser's nominee at the address specified for such communications in Schedule A to the Note Purchase Agreements, or at such other address as such Initial Note Purchaser or such Initial Note Purchaser's nominee shall have specified to any Guarantor or the Company in writing,

(2) if to any other Holder, to such Holder at such address as such Holder shall have specified to any Guarantor or the Company in writing, or

(3) if to any Guarantor, to such Guarantor c/o the Company at its address set forth at the beginning of the Note Purchase Agreements to the attention of Corporate Treasurer, or at such other address as such Guarantor shall have specified to the Holders in writing.

Notices under this **Section 11** will be deemed given only when actually received. SECTION 12. MISCELLANEOUS.



(a) No remedy herein conferred upon or reserved to any Holder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Holder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Holder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) The Guarantors will pay all sums becoming due under this Guaranty by the method and at the address specified in the Note Purchase Agreements, or by such other method or at such other address as any Holder shall have from time to time specified to the Guarantors in writing for such purpose, without the presentation or surrender of this Guaranty or any Note.

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

(d) If the whole or any part of this Guaranty shall be now or hereafter become unenforceable against any one or more of the Guarantors for any reason whatsoever or if it is not executed by any one or more of the Guarantors, this Guaranty shall nevertheless be and remain fully binding upon and enforceable against each other Guarantor as if it had been made and delivered only by such other Guarantors.

(e) This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of each Holder and its successors and assigns so long as its Notes remain outstanding and unpaid.

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

### SECTION 13. RELEASE.

Notwithstanding anything that may be contained herein to the contrary, the Holders agree that, in accordance with Section 2.2(e) of the Note Purchase Agreements, this Guaranty shall be automatically released and discharged without the necessity of further action on the part of the Holders if, and to the extent, the corresponding guaranty given pursuant to the terms of the Bank Credit Agreement is released

and discharged; *provided* that in the event the Guarantor shall again become obligated under or with respect to the previously discharged Guaranty pursuant to the terms and provisions of the Guaranty, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the obligations of such Guarantor under this Guaranty shall be reinstated and any release thereof previously given shall be deemed null and void, and such Guaranty shall again benefit the Holders on an equal and *pro rata* basis and such Guaranty shall once again be subject to the terms of the Intercreditor Agreement. Any release by the Holders shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. The Company shall promptly notify the Holders of any release of a Subsidiary Guaranty pursuant to this Section 13 and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

[Intentionally Blank]

IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed by an authorized representative as of this day of August, 2008.

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

By:

Name: William L. Aamoth  
Title: Vice President & Treasurer

STRATEGIC TECHNOLOGY ENTERPRISES, INC.

By:

Name: William L. Aamoth  
Title: Treasurer

ACCEPTED AND AGREED: STERIS CORPORATION

By:

Name: William L. Aamoth

Title: Vice President & Corporate Treasurer

**GUARANTY SUPPLEMENT**

To the Holders of the Notes (as hereinafter defined)  
of STERIS Corporation (the “Company”)

Re: Integrated Medical Systems International, Inc. – 2012 Senior Note Issuance

Ladies and Gentlemen:

WHEREAS, in order to refinance certain debt and for general corporate purposes, the Company issued (a) \$47,500,000 aggregate principal amount of the Company’s 3.20% Senior Notes, Series A-1A, due December 4, 2022, (b) \$47,500,000 aggregate principal amount of the Company’s 3.20% Senior Notes, Series A-1B, due December 4, 2022, (c) \$40,000,000 aggregate principal amount of the Company’s 3.35% Senior Notes, Series A-2A, due December 4, 2024, (d) \$40,000,000 aggregate principal amount of the Company’s 3.35% Senior Notes, Series A-2B, due December 4, 2024, (e) \$12,500,000 aggregate principal amount of the Company’s 3.55% Senior Notes, Series A-3A, due December 4, 2027, and (f) \$12,500,000 aggregate principal amount of the Company’s 3.55% Senior Notes, Series A-3B, due December 4, 2027 (collectively hereinafter referred to as the “Notes”) pursuant to those certain Note Purchase Agreements dated as of December 4, 2012 (the “Note Purchase Agreements”) between the Company and each of the purchasers named on Schedule A thereto (the “Initial Note Purchasers”).

WHEREAS, as a condition precedent to their purchase of the Notes, the Initial Note Purchasers required that certain subsidiaries of the Company enter into a Subsidiary Guaranty as security for the Notes (the “Guaranty”).

Pursuant to Section 9.7 of the Note Purchase Agreements, the Company has agreed to cause the undersigned, Integrated Medical Systems International, Inc., a corporation organized under the laws of Delaware (the “Additional Guarantor”), to join in the Guaranty. In accordance with the requirements of the Guaranty, the Additional Guarantor desires to amend the definition of Guarantor (as the same may have been heretofore amended) set forth in the Guaranty attached hereto so that at all times from and after the date hereof, the Additional Guarantor shall be jointly and severally liable as set forth in the Guaranty for the obligations of the Company under the Note Purchase Agreements and Notes to the extent and in the manner set forth in the Guaranty.

The undersigned is the duly elected President of the Additional Guarantor, a subsidiary of the Company, and is duly authorized to execute and deliver this Guaranty Supplement to each of you. The execution by the undersigned of this Guaranty Supplement shall evidence its consent to and acknowledgment and approval of the terms set forth herein and in the Guaranty and by such execution the Additional Guarantor shall be deemed to have made in favor of the Holders the representations and warranties set forth in Section 5 of the Guaranty.

Upon execution of this Guaranty Supplement, the Guaranty shall be deemed to be amended as set forth above. Except as amended herein, the terms and provisions of the Guaranty are hereby ratified, confirmed and approved in all respects.

Any and all notices, requests, certificates and other instruments (including the Notes) may refer to the Guaranty without making specific reference to this Guaranty Supplement, but nevertheless all such references shall be deemed to include this Guaranty Supplement unless the context shall otherwise require.

Dated: June 20, 2014

Integrated Medical Systems International, Inc.

By: /s/ Michael J. Tokich

Michael J. Tokich  
President

Accepted and Agreed:

STERIS CORPORATION

By: /s/ Michael J. Tokich

Chief Financial Officer, and Treasurer

Michael J. Tokich  
Senior Vice President,

SUBSIDIARY GUARANTY

Dated as of December 4, 2012

Re: \$47,500,000 3.20% Senior Notes, Series A-1A, due December 4, 2022

\$47,500,000 3.20% Senior Notes, Series A-1B, due December 4, 2022

\$40,000,000 3.35% Senior Notes, Series A-2A, due December 4, 2024

\$40,000,000 3.35% Senior Notes, Series A-2B, due December 4, 2024

\$12,500,000 3.55% Senior Notes, Series A-3A, due December 4, 2027

\$12,500,000 3.55% Senior Notes, Series A-3B, due December 4, 2027

of

STERIS CORPORATION

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## SUBSIDIARY GUARANTY

Re: \$47,500,000 3.20% Senior Notes, Series A-1A, due December 4, 2022

\$47,500,000 3.20% Senior Notes, Series A-1B, due December 4, 2022

\$40,000,000 3.35% Senior Notes, Series A-2A, due December 4, 2024

\$40,000,000 3.35% Senior Notes, Series A-2B, due December 4, 2024

\$12,500,000 3.55% Senior Notes, Series A-3A, due December 4, 2027

\$12,500,000 3.55% Senior Notes, Series A-3B, due December 4, 2027

This SUBSIDIARY GUARANTY dated as of December 4, 2012 (the or this “*Guaranty*”) is entered into on a joint and several basis by each of the undersigned, together with any entity which may become a party hereto by execution and delivery of a Guaranty Supplement in substantially the form set forth as **Exhibit A** hereto (a “*Guaranty Supplement*”) (which parties are hereinafter referred to individually as a “*Guarantor*” and collectively as the “*Guarantors*”).

### RECITALS

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

B. In order to refinance certain debt and for general corporate purposes, the Company has entered into those certain Note Purchase Agreements dated as of December 4, 2012 (the “*Note Purchase Agreements*”) between the Company and each of the purchasers named on Schedule A thereto (the “*Initial Note Purchasers*”; the Initial Note Purchasers, together with their successors, assigns or any other future holder of the Notes (as defined below), the “*Holder*”), providing for, *inter alia*, the issue and sale by the Company to the Initial Note Purchasers of \$47,500,000 aggregate principal amount of its 3.20% Senior Notes, Series A-1A, due December 4, 2022, \$47,500,000 aggregate principal amount of its 3.20% Senior Notes, Series A-1B, due December 4, 2022, \$40,000,000 aggregate principal amount of its 3.35% Senior Notes, Series A-2A, due December 4, 2024, \$40,000,000 aggregate principal amount of its 3.35% Senior Notes, Series A-2B, due December 4, 2024, \$12,500,000 aggregate principal amount of its 3.55% Senior Notes, Series A-3A, due December 4, 2027, and \$12,500,000 aggregate principal amount of its 3.55% Senior Notes, Series A-3B, due December 4, 2027.

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

to execute a Guaranty Supplement, in each case in order to induce the Initial Note Purchasers to purchase the Notes and thereby benefit the Company and its Subsidiaries.

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

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

## SECTION 1. DEFINITIONS .

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

## SECTION 2. GUARANTY OF NOTES AND NOTE PURCHASE AGREEMENTS .

(a) Subject to the limitation set forth in **Section 2(b)** hereof and to the provisions of **Section 13** hereof, each Guarantor jointly and severally does hereby absolutely and unconditionally guarantee unto the Holders: (1) the full and prompt payment of the principal of, Make-Whole Amount, if any, and interest on the Notes from time to time outstanding, as and when such payments shall become due and payable whether by lapse of time, upon redemption or prepayment, by extension or by acceleration or declaration or otherwise (including (to the extent legally enforceable) interest due on overdue payments of principal, Make-Whole Amount, if any, or interest at the rate set forth in the Notes and interest accruing at the then applicable rate provided in the Notes after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Company, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) in Federal or other immediately available funds of the United States of America which at the time of payment or demand therefor shall be legal tender for the payment of public and private debts, (2) the full and prompt performance and observance by the Company of each and all of the obligations, covenants and agreements required to be performed or owed by the Company under the terms of the Notes and the Note Purchase Agreements and (3) the full and prompt payment, upon demand by any Holder, of all reasonable actual out of pocket costs and expenses, legal or otherwise (including attorneys' fees), if any, as shall have been expended or incurred in the protection or enforcement of any rights, privileges or liabilities in favor of the Holders under or in respect of the Notes, the Note Purchase Agreements or under this Guaranty or in any consultation or action in connection therewith or herewith and in each and every case irrespective

of the validity, regularity, or enforcement of any of the Notes or Note Purchase Agreements or any of the terms thereof or any other like circumstance or circumstances.

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

### SECTION 3. GUARANTY OF PAYMENT AND PERFORMANCE .

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

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

### SECTION 4. GENERAL PROVISIONS RELATING TO THE GUARANTY .

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

other Person or to any other guaranty or to any property, security, Liens or other rights or remedies; or

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

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

(12) any defense whatsoever that: (i) the Company or any other Person might have to the payment of the Notes (principal, Make-Whole Amount, if any, or interest), other than payment thereof in Federal or other immediately available funds, or (ii) the Company or any other Person might have to the performance or observance of any of the provisions of the Notes, the Note Purchase Agreements or any other agreement, whether through the satisfaction or purported satisfaction by the Company, any other Guarantor or any other Person of its debts due to any cause such as bankruptcy, insolvency, receivership, merger, consolidation, reorganization, dissolution, liquidation, winding-up or otherwise, other than the defense of indefeasible payment in full in cash of the Notes; or

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

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

*provided* that the specific enumeration of the above-mentioned acts, failures or omissions shall not be deemed to exclude any other acts, failures or omissions, though not specifically mentioned above, it being the purpose and intent of this Guaranty and the parties hereto that the obligations of each Guarantor shall be absolute and unconditional and shall not be discharged, impaired or varied except pursuant to **Section 13** hereof and by the payment of the principal of, Make-Whole Amount, if any,



and interest on the Notes in accordance with their respective terms whenever the same shall become due and payable as in the Notes provided and all other sums due and payable under the Note Purchase Agreements, at the place specified in and all in the manner and with the effect provided in the Notes and the Note Purchase Agreements, as each may be amended or modified from time to time. Without limiting the foregoing, it is understood that repeated and successive demands may be made and recoveries may be had hereunder as and when, from time to time, the Company shall default under or in respect of the terms of the Notes or the Note Purchase Agreements and that notwithstanding recovery hereunder for or in respect of any given default or defaults by the Company under the Notes or the Note Purchase Agreements, this Guaranty shall remain in full force and effect and shall apply to each and every subsequent default.

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

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

(f) To the extent of any payments made under this Guaranty, each Guarantor making such payment shall have a right of contribution from the other Guarantors, but such Guarantor covenants

and agrees that such right of contribution shall be subordinate in right of payment to the rights of the Holders for which full payment has not been made or provided for and, to that end, such Guarantor agrees not to claim or enforce any such right of contribution unless and until all of the Notes and all other sums due and payable under the Note Purchase Agreements have been fully and irrevocably paid and discharged.

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

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

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

## SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE GUARANTORS.

Each Guarantor represents and warrants to each Holder that:

(a) Such Guarantor is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on (1) the business, operations, affairs, financial condition, assets or

properties of the Company and its subsidiaries, taken as a whole, or (2) the ability of such Guarantor to perform its obligations under this Guaranty, or (3) the validity or enforceability of this Guaranty. Such Guarantor has the power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Guaranty and to perform the provisions hereof.

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

(c) The execution, delivery and performance by such Guarantor of this Guaranty will not (1) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of such Guarantor under any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, charter document or by-law, or any other material agreement or instrument to which such Guarantor is bound or by which such Guarantor or any of its properties may be bound or affected, (2) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to such Guarantor or (3) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the such Guarantor.

(d) No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority by the Guarantor is required in connection with the execution, delivery or performance by such Guarantor of this Guaranty.

(e) Such Guarantor has capital not unreasonably small in relation to its business or any contemplated or undertaken transaction and has assets having a value both at fair valuation and at present fair salable value greater than the amount required to pay its debts as they become due and greater than the amount that will be required to pay its probable liability on its existing debts as they become absolute and matured. Such Guarantor does not intend to incur, or believe or should have believed that it will incur, debts beyond its ability to pay such debts as they become due. Such Guarantor will not be rendered insolvent by the execution and delivery of, and performance of its obligations under, this Guaranty. Such Guarantor does not intend to hinder, delay or defraud its creditors by or through the execution and delivery of, or performance of its obligations under, this Guaranty.

SECTION 6. GUARANTOR COVENANTS .

From and after the date of issuance of the Notes by the Company and continuing so long as any amount remains unpaid thereon each Guarantor agrees to comply with the terms and provisions of Sections 9.1, 9.2, 9.3, 9.4 and 9.5 of the Note Purchase Agreements, insofar as such provisions apply to such Guarantor, as if said Sections were set forth herein in full.

SECTION 7. [RESERVED]

SECTION 8. GOVERNING LAW .

(a) THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE THEREIN.

(b) Each Guarantor hereby (1) irrevocably submits and consents to the jurisdiction of the federal court located within the County of New York, State of New York (or if such court lacks jurisdiction, the State courts located therein), and irrevocably agrees that all actions or proceedings relating to this Guaranty may be litigated in such courts, and (2) waives any objection which it may have based on improper venue or *forum non conveniens* to the conduct of any proceeding in any such court and waives personal service of any and all process upon it, and (3) consents that all such service of process be made by delivery to it at the address of such Person set forth in **Section 11** below or to its agent referred to below at such agent's address set forth below (with a courtesy copy to such Guarantor at the address set forth in **Section 11**) and that service so made shall be deemed to be completed upon actual receipt. Each Guarantor hereby irrevocably appoints the Company, as its agent for the purpose of accepting service of any process. In the event the Company (or any successor thereto) shall in accordance with the terms of the Note Purchase Agreement be organized under the laws of any jurisdiction other than any state of the United States or the District of Columbia, each Guarantor agrees it shall irrevocably appoint CT Corporation System, with an office on the date hereof at 111 Eighth Avenue, New York, New York 10011, as its agent for the purpose of accepting service of any process within the State of New York. Nothing contained in this section shall affect the right of any Holder to serve legal process in any other manner permitted by law or to bring any action or proceeding in the courts of any jurisdiction against a Guarantor or to enforce a judgment obtained in the courts of any other jurisdiction.

(c) The parties hereto waive any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise, between them arising out of, connected with, related to or incidental to the relationship established between them in connection with this Guaranty, any financing agreement, any loan party document or any other instrument, document or agreement executed or delivered in connection herewith or the transactions related hereto. The parties hereto

hereby agree and consent that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that any of them may file an original counterpart or a copy of this Guaranty with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

SECTION 9. [RESERVED]

SECTION 10. AMENDMENTS, WAIVERS AND CONSENTS .

(a) This Guaranty may be amended, and the observance of any term hereof may be waived (either retroactively or prospectively), with (and only with) the written consent of each Guarantor and the Required Holders.

(b) The Guarantors will provide each Holder (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such Holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof. The Guarantors will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this **Section 10** to each Holder promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite Holders.

(c) The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of fee or otherwise, or grant any security, to any Holder as consideration for or as an inducement to the entering into by any Holder of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each Holder even if such Holder did not consent to such waiver or amendment.

(d) Any amendment or waiver consented to as provided in this **Section 10** applies equally to all Holders and is binding upon them and upon each future holder and upon the Guarantors. No such amendment or waiver will extend to or affect any obligation, covenant or agreement not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Guarantors and any Holder nor any delay in exercising any rights hereunder shall operate as a waiver of any rights of any Holder. As used herein, the term “this Guaranty” and references thereto shall mean this Guaranty as it may from time to time be amended or supplemented.

(e) Solely for the purpose of determining whether the Holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Guaranty, Notes directly or indirectly owned

by any Guarantor, the Company or any of their respective subsidiaries or Affiliates shall be deemed not to be outstanding.

#### SECTION 11. NOTICES .

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

(1) if to an Initial Note Purchaser or such Initial Note Purchaser's nominee, to such Initial Note Purchaser or such Initial Note Purchaser's nominee at the address specified for such communications in Schedule A to the Note Purchase Agreements, or at such other address as such Initial Note Purchaser or such Initial Note Purchaser's nominee shall have specified to any Guarantor or the Company in writing,

(2) if to any other Holder, to such Holder at such address as such Holder shall have specified to any Guarantor or the Company in writing, or

(3) if to any Guarantor, to such Guarantor c/o the Company at its address set forth at the beginning of the Note Purchase Agreements to the attention of Corporate Treasurer, or at such other address as such Guarantor shall have specified to the Holders in writing.

Notices under this **Section 11** will be deemed given only when actually received.

#### SECTION 12. MISCELLANEOUS .

(a) No remedy herein conferred upon or reserved to any Holder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle any Holder to exercise any remedy reserved to it under the Guaranty, it shall not be necessary for such Holder to physically produce its Note in any proceedings instituted by it or to give any notice, other than such notice as may be herein expressly required.

(b) The Guarantors will pay all sums becoming due under this Guaranty by the method and at the address specified in the Note Purchase Agreements, or by such other method or at such other address as any Holder shall have from time to time specified to the Guarantors in writing for such purpose, without the presentation or surrender of this Guaranty or any Note.

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

(d) If the whole or any part of this Guaranty shall be now or hereafter become unenforceable against any one or more of the Guarantors for any reason whatsoever or if it is not executed by any one or more of the Guarantors, this Guaranty shall nevertheless be and remain fully binding upon and enforceable against each other Guarantor as if it had been made and delivered only by such other Guarantors.

(e) This Guaranty shall be binding upon each Guarantor and its successors and assigns and shall inure to the benefit of each Holder and its successors and assigns so long as its Notes remain outstanding and unpaid.

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

#### SECTION 13. RELEASE .

Notwithstanding anything that may be contained herein to the contrary, the Holders agree that, in accordance with Section 2.2(e) of the Note Purchase Agreements, this Guaranty shall be automatically released and discharged without the necessity of further action on the part of the Holders if, and to the extent, the corresponding guaranty given pursuant to the terms of the Bank Credit Agreement is released and discharged; *provided* that in the event the Guarantor shall again become obligated under or with respect to the previously discharged Guaranty pursuant to the terms and provisions of the Guaranty, the Bank Credit Agreement or any additional bank loan agreement entered into by the Company pursuant to which such lenders make available to the Company credit facilities which are *pari passu* with the Notes, then the obligations of such Guarantor under this Guaranty shall be reinstated and any release thereof previously given shall be deemed null and void, and such Guaranty shall again benefit the Holders on an equal and *pro rata* basis and such Guaranty

shall once again be subject to the terms of the Intercreditor Agreement. Any release by the Holders shall be deemed to have occurred concurrently with the release and discharge under the Bank Credit Agreement. The Company shall promptly notify the Holders of any release of a Subsidiary Guaranty pursuant to this **Section 13** and shall deliver evidence of any release or discharge of a guaranty or Lien in customary form.

[Intentionally Blank]



IN WITNESS WHEREOF, the undersigned has caused this Subsidiary Guaranty to be duly executed by an authorized representative as of the date hereof.

AMERICAN STERILIZER COMPANY  
STERIS INC.  
ISOMEDIX OPERATIONS INC.  
STERIS ISOMEDIX SERVICES, INC.  
UNITED STATES ENDOSCOPY GROUP, INC.  
SPECTRUM SURGICAL INSTRUMENTS CORP.

By:  
Name: William L. Aamoth  
Title: Vice President and Treasurer

ACCEPTED AND AGREED:  
STERIS CORPORATION

By:  
Name: William L. Aamoth  
Title: Vice President and Treasurer

**STERIS CORPORATION MANAGEMENT INCENTIVE COMPENSATION PLAN,  
AS AMENDED**

**1. Objective.** The objective of the STERIS Corporation Incentive Compensation Plan (the “Bonus Plan” or “Plan”) is to encourage greater initiative, resourcefulness, teamwork, efficiency, and achievement of objectives on the part of key employees whose performance and responsibilities directly affect the performance of STERIS Corporation (“STERIS”) and its subsidiaries (collectively, together with STERIS, the “Company”).

**2. Eligibility.** Participation in the Plan will be limited to those key employees that are selected for participation on an annual basis and will normally include employees at or above the rank of Manager. Key employees selected for participation each year will be notified of their participation and given the parameters for bonus calculations early in the fiscal year.

A participant will be eligible to receive a bonus earned under the Plan for a particular fiscal year if and only if he or she remains in the employ of the Company through the end of that fiscal year, unless otherwise determined by the CEO of STERIS, or with respect to executive officers and other senior managers reporting to the CEO of STERIS, by the Compensation Committee of the Board of Directors of STERIS (“Committee”).

**3. Target Bonus.** Each participant will be assigned a percentage target bonus based upon his or her position and level within the Company. The target bonus will range from 5% to 100% of the participant’s base salary.

**4. Financial Goals.** Each year the Committee will select a threshold performance target or targets for the Company, the attainment of which will be a prerequisite to the payment of any bonuses under the Plan. In addition, the Committee will select one or more measures of current year financial performance for the Company as a whole, such as revenue growth, free cash flow, earnings before interest and taxes (EBIT), margins, and net income, to be used as goals for determining the payment of bonuses under the Plan. Each year the Committee (or its delegatee) may also select one or more measures of financial performance for Company business segments or business units to be used for determining the payment of bonuses under the Plan for participants who are associated with such segments or units. The Committee (or its delegatee) may also determine that a participant’s bonus eligibility will depend in part on goals for the Company as a whole and in part on goals for one or more business segments or business units. For each financial goal, the Committee will designate numerical “threshold,” “target,” and “maximum” levels of achievement. The maximum will be assigned a percentage of target up to 200%. The Committee may adjust the threshold, target and maximum levels of achievement if the Company records a special charge or credit or other conditions occur that the Committee determines should be disregarded or reflected, either partially or in their entirety, when calculating the amounts of bonuses to be paid under the Plan. These conditions may include, but are not limited to, those described in Section 12.

**5. Weighting of Goals.** Each year during which the Committee selects more than one goal to be applicable to any participant or group of participants, the Committee will also specify the weight to be given to each such goal. For example, the Committee might determine to give 75% weight to EBIT and 25% weight to free cash flow.

**6. Achievement Percentages.** The threshold, target, and maximum performance target levels will be determined by the Committee, with each target or goal based on Company performance with respect to that goal. For example:

- a. If performance is below the threshold level, the bonus achievement percentage will be 0.
- b. If performance is at the target level, the bonus achievement percentage will be at 100%.
- c. If performance is at or above the maximum level, the bonus achievement percentage will be the assigned maximum percentage.

For performance at any level between the threshold and target or target and maximum, the bonus achievement percentage will be interpolated (unless otherwise established by the Committee). For example, if performance is exactly half way between the threshold and target, the bonus achievement percentage will be 50%.

**7. Individual Performance.** Upon determination of a participant’s bonus based on Company performance, the participant’s personal performance is considered when determining the final bonus amount.

**8. Calculation of Bonuses.** No bonuses will be paid for a fiscal year unless the performance of the Company is at least equal to the threshold performance target(s) level selected by the Committee for the year. Assuming that the criterion is met, a participant’s bonus will be determined by multiplying his or her target bonus by the achievement percentages attained during the year, taking into account the weighting of goals, as appropriate. If the threshold level is not attained for any goal, no bonus will be earned with respect to that goal. The bonus earned by any participant during a fiscal year based on Company and / or business segment or unit performance may range from zero (if performance is below threshold on all goals or in other circumstances) to a maximum

percentage of target bonus selected by the Committee (if performance is at or above maximum on all goals). A participant's bonus amount may be decreased or eliminated, or may be increased based on personal performance. The aggregate bonuses payable to all participants in respect of any fiscal year are subject to the determination of the Committee and may not exceed the pool amount for that year.

**9. Pool Amount.** A pool amount is calculated for bonuses payable for each fiscal year. The aggregate bonuses payable to all participants in respect of any fiscal year may not exceed the pool amount for that fiscal year. The pool amount is equal to the sum of the bonus payments all participants would be entitled to receive based upon Company and/or business segment or unit performance without giving effect to personal performance.

**10. Payment of Earned Bonuses.** Unless the Committee determines not to pay bonuses or to pay all or any part of bonuses under the Plan earlier, bonuses earned under the Plan will be paid to participants not later than two and one-half (2½) months after the end of the fiscal year in which they are earned, subject to Section 14.

**11. Midyear Additions and Adjustments.** An individual assuming a key position during a fiscal year may be included in the Plan and be eligible for a pro rata portion of a full year bonus based upon the base salary earned while a participant. A participant whose position or level within the Company changes during a fiscal year may be assigned an increased or decreased target bonus for the year taking into account the participant's new position and compensation.

**12. Effect of Changes in Operations.** If, during any fiscal year, the operations of the Company are materially altered, whether by an acquisition of substantial additional assets or one or more lines of business, disposition of substantial existing assets or one or more existing lines of business, merger, consolidation, or similar event, the Committee may, in its sole discretion, adjust the parameters of the Plan for that fiscal year in such a manner as to preserve to the participants the same relative prospects for earning a bonus under the Plan as would have been the case if the material alteration had not occurred. If the Company disposes of an entire operating division or line of business during a fiscal year, the Company may make to each participant, if any, who ceases to be employed by the Company as a result of that disposition, an "Interim Payment" in the same amount, at the same time, and with the same effect, as if the disposition constituted a Change of Control as defined in Section 14 below.

**13. Bonus Forfeiture.** If the Company's financial statements for any fiscal year are required to be restated due to material noncompliance with any financial reporting requirement as a result of intentional misconduct of a Plan participant ("Forfeiting Participant"), the individual Forfeiting Participant shall return or forfeit, as applicable, all or a portion (but not more than one-hundred percent (100%)) of the Plan award or payment at the request of the Board or the Committee, in addition to all other rights and remedies the Company may have in respect of the Forfeiting Participant. The amount to be recovered from the Forfeiting Participant shall be the amount by which the bonus or incentive compensation award exceeded the amount that would have been payable had the Company's financial statements been initially filed as restated (including, but not limited to, the entire Plan award), as determined by the Board or the Committee. The Committee shall determine whether the Company shall effect any such recovery (i) by seeking repayment from the Forfeiting Participant, (ii) by reducing (subject to applicable law and the terms and conditions of the applicable plan, program or arrangement) the amount that would otherwise be payable to the Forfeiting Participant under any compensatory plan, program or arrangement maintained by the Company, (iii) by withholding payment of future increases in compensation (including the payment of any discretionary bonus amount) or grants of compensatory awards that would otherwise have been made in accordance with the Company's compensation practices, (iv) by any combination of the foregoing, and/or (v) by any other method.

**14. Effect of a Change of Control.** Within twenty days after the occurrence of the first Change of Control (as defined below) to occur in any fiscal year, the Company may pay to each participant interim lump-sum cash payment (the "Interim Payment") with respect to his or her participation in the plan. The amount of the Interim Payment shall be equal to the dollar amount of the participant's target bonus for the entire fiscal year multiplied by a fraction, the numerator of which is the number of months between the beginning of the fiscal year and the end of the month in which the Change of Control occurs and the denominator of which is 12. The making of the Interim Payment will not reduce the obligation of the Company to make a final payment under the terms of the Plan, but the amount of any Interim Payment shall be offset against any later payment due under the Plan for the fiscal year in which the Change of Control occurs. Except as an offset against a final payment as provided in the immediately preceding sentence, the amount of the Interim Payment will not be offset against any amount due to the participant from or on behalf of the Company and a participant will not in any circumstances be required to refund any portion of the Interim Payment to the Company, except as provided in Section 13.

For purposes of the Plan, a "Change of Control" shall be deemed to have occurred if at any time or from time to time while this Agreement is in effect:

(a) Any person (other than STERIS, any of its subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 15% or more (but less than 50%) of the Common Shares then outstanding;

(b) Any person (other than STERIS, any of its subsidiaries, any employee benefit plan or employee stock ownership plan of STERIS, or any person organized, appointed, or established by STERIS for or pursuant to the terms of any such plan), alone or together with any of its affiliates, becomes the beneficial owner of 50% or more of the Common Shares then outstanding;

(c) Any person commences or publicly announces an intention to commence a tender offer or exchange offer the consummation of which would result in the person becoming the beneficial owner of 15% or more of the Common Shares then

outstanding;

(d) At any time during any period of 24 consecutive months, individuals who were directors at the beginning of the 24-month period no longer constitute a majority of the members of the Board of Directors of STERIS, unless the election, or the nomination for election by STERIS's shareholders, of each director who was not a director at the beginning of the period is approved by at least a majority of the directors who (i) are in office at the time of the election or nomination and (ii) were directors at the beginning of the period;

(e) (i) STERIS is merged or consolidated with another corporation and those persons who were shareholders of STERIS immediately before the merger or consolidation receive or retain less than 60% of the stock of the surviving or continuing corporation, (ii) there occurs a sale or other disposition of all or substantially all of the assets of STERIS, or (iii) STERIS is dissolved; or (f) Any person who proposes to make a "control share acquisition" of STERIS, within the meaning of Section 1701.01(Z) of the Ohio General Corporation Law, submits or is required to submit an acquiring person statement to STERIS.

Notwithstanding anything herein to the contrary, if an event described in clause (b), clause (d), or clause (e) above occurs, the occurrence of that event will constitute an irrevocable Change of Control. Furthermore, notwithstanding anything herein to the contrary, if an event described in clause (c) occurs, and the Board of Directors either approves such offer or takes no action with respect to such offer, then the occurrence of that event will constitute an irrevocable Change of Control. On the other hand, notwithstanding anything herein to the contrary, if an event described in clause (a) above occurs, or if an event described in clause (c) occurs and the Board of Directors does not either approve such offer or take no action with respect to such offer as described in the preceding sentence, and a majority of those members of the Board of Directors who were Directors prior to such event determine, within the 90-day period beginning on the date such event occurs, that the event should not be treated as a Change of Control, then, from and after the date that determination is made, that event will be treated as not having occurred. If no such determination is made, a Change of Control resulting from any of the events described in the immediately preceding sentence will constitute an irrevocable Change of Control on the 91st day after the occurrence of the event.

**15. No Right to Compensation or Continued Employment.** Neither participation in the Plan, the provision for or payment of any bonus hereunder nor any action of the Company, the Board or the Committee with respect to the Plan shall be held or construed to confer upon any person (a) any legal right to receive, or any interest in, any bonus or any other benefit under the Plan, (b) any legal right to continue to serve as an officer or employee of STERIS or any subsidiary comprising part of the Company, or (c) any relief from or modification to any agreement with or other obligation to the Company. Payment or other Company action described in this Plan is solely at the discretion of the Committee and/or the Company's Board of Directors.

**16. Withholding.** The Company shall have the right to withhold, or require a participant to remit to the Company, an amount sufficient to satisfy any applicable federal, state, local or foreign withholding tax requirements imposed with respect to the payment of any bonus.

**17. Nontransferability.** Except as expressly provided by the Committee, the rights and benefits under the Plan shall not be transferable or assignable.

**18. Amendment and Termination.** The Committee may amend the Plan from time to time or terminate the Plan at any time.

**DESCRIPTION OF NON-EMPLOYEE  
DIRECTOR COMPENSATION CHANGES**

The annual Committee Chair fees have been changed beginning with the Directors' 2014-2015 terms of office as follows: The fee for serving as Audit Committee Chair has been increased from \$10,000 to \$15,000; the fee for serving as Compensation Committee Chair has been increased from \$5,000 to \$10,000; and the fees for serving as Chairs of the other two Committees have been increased from \$5,000 to \$7,500. The other fees payable to Non-Employee Directors remain unchanged.

## LETTER OF ERNST &amp; YOUNG LLP REGARDING UNAUDITED INTERIM FINANCIAL INFORMATION

Board of Directors and Shareholders  
STERIS Corporation

We are aware of the incorporation by reference in the following STERIS Corporation Registration Statements of our review report, dated August 8, 2014, relating to the unaudited consolidated interim financial statements of STERIS Corporation and subsidiaries, included in its Form 10-Q for the quarter ended June 30, 2014:

Registration Number	Description
333-32005	Form S-8 Registration Statement - STERIS Corporation 1997 Stock Option Plan
33-55976	Form S-8 Registration Statement - STERIS Corporation 401(k) Plan
333-09733	Form S-8 Registration Statement - STERIS Corporation 401(k) Plan
333-101308	Form S-8 Registration Statement - STERIS Corporation 2002 Stock Option Plan
333-137167	Form S-8 Registration Statement - STERIS Corporation Deferred Compensation Plan
333-136239	Form S-8 Registration Statement - STERIS Corporation 2006 Long-Term Equity Incentive Plan
333-170884	Form S-8 Registration Statement - STERIS Corporation 401(k) Plan
333-176167	Form S-8 Registration Statement - STERIS Corporation 2006 Long-Term Equity Incentive Plan (as Amended and Restated Effective July 28, 2011)

/s/ Ernst & Young LLP

Cleveland, Ohio  
August 8, 2014

**CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER**

I, Walter M Rosebrough, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2014

/s/ WALTER M ROSEBROUGH, JR.

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Walter M Rosebrough, Jr.  
President and Chief Executive Officer



**CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER**

I, Michael J. Tokich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of STERIS Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2014

/s/ MICHAEL J. TOKICH

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Michael J. Tokich  
Senior Vice President, Chief Financial Officer and Treasurer

**Certification Pursuant to § 906 of the Sarbanes-Oxley Act of 2002**

Pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, in connection with the filing of the Form 10-Q of STERIS Corporation (the "Company") for the quarter ended June 30, 2014, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies, that, to such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of the dates and for the periods expressed in the Report.

/s/ WALTER M ROSEBROUGH, JR.

Name: Walter M Rosebrough, Jr.  
Title: President and Chief Executive Officer

/s/ MICHAEL J. TOKICH

Name: Michael J. Tokich  
Title: Senior Vice President, Chief Financial Officer and Treasurer

Dated: August 8, 2014