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

FORM 10-K

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

For the fiscal year ended December 31, 2000

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

For the transition period from to

COMMISSION FILE NUMBER 0-21229

STERICYCLE, INC.
(Exact name of Registrant as specified in its charter)

Delaware	36-3640402
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

28161 NORTH KEITH DRIVE, LAKE FOREST, ILLINOIS 60045
(Address of principal executive offices)

(847) 367-5910
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

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

COMMON STOCK, PAR VALUE $.01 PER SHARE

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 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. [x] Yes [ ] No

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

On March 16, 2001, the aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant was $482,474,811.

On March 16, 2001, there were 15,258,245 shares of the Registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Information required by Items 10, 11, 12 and 13 of Part III of this Report is incorporated by reference from the Registrant's definitive Proxy Statement for the 2001 Annual Meeting of Stockholders to be held on May 15, 2001.

PART I

ITEM 1. BUSINESS

Unless the context requires otherwise, "we," "us" or "our" refers to Stericycle, Inc. and its subsidiaries on a consolidated basis.

COMPANY OVERVIEW

We are the largest regulated medical waste management company in North America, serving approximately 250,000 customers throughout the United States, Canada, Puerto Rico and Mexico. We have the only fully integrated, national medical waste management network. Our network includes 33 treatment/collection centers and 99 additional transfer and collection sites. We use this network to provide the industry's broadest service offering, including medical waste collection, transportation and treatment and related consulting, training and education services and products. Our treatment technologies include our proprietary electro-thermal-deactivation system ("ETD") as well as traditional methods such as autoclaving and incineration. For the years ended December 31, 2000 and 1999, our revenues were $323.7 million and $132.8 million, respectively.

Our operations benefit significantly from the stability associated with our long-term customer relationships. We have long-term customer contracts of between one and five years with substantially all of our customers. In general, our contracts with small account customers have automatic renewal provisions. We believe that the services we offer are compelling to our customers because they allow our customers to avoid the significant capital and operating costs that they would have to incur if they were internally to manage their regulated medical waste. Moreover, by outsourcing these services and purchasing consulting and other services from us, our customers reduce or eliminate their risk of the large fines associated with regulatory non-compliance.

We benefit from significant customer diversification, with no single customer accounting for more than 1% of revenues, and our top 10 customers accounting for less than 3% of revenues. Our two principal groups of customers include approximately 245,300 small account customers (e.g., outpatient clinics, medical and dental offices and long-term and sub-acute care facilities) and approximately 4,700 large account customers (e.g., hospitals, blood banks and pharmaceutical manufacturers). Small account customers tend to be more likely to outsource medical waste management services and tend to be more service oriented and less price sensitive, resulting in higher margins for us. We are targeting new small account customers through our large proprietary database of potential new small account customers and our dedicated small account sales force. We successfully increased the proportion of revenues from small account customers from 33% of revenues in the fourth quarter of 1996 to 57% in the fourth quarter of 2000.

In November 1999, we acquired the medical waste business of Browning-Ferris Industries, Inc. ("BFI") from Allied Waste Industries, Inc. ("Allied") for $410.5 million in cash. Allied had acquired BFI in a merger completed in July 1999. Prior to our acquisition, BFI had been the largest provider of regulated medical waste services in the United States.

INDUSTRY OVERVIEW

The large, fragmented medical waste industry has experienced significant growth since its inception. The regulated medical waste industry arose with the Medical Waste Tracking Act of 1988 ("MWTA"), which Congress enacted in response to media attention after medical waste washed ashore on ocean beaches, particularly in New York and New Jersey. Since the 1980s, the public and government regulators have increasingly demanded the proper handling and disposal of the medical waste generated by the health care industry. Regulated medical waste is generally described as any medical waste that can cause an infectious disease, including single-use disposable items, such as needles, syringes, gloves and other medical supplies; cultures and stocks of infectious agents; and blood and blood products.

An independent study estimated the size of the regulated medical waste market in the United States in 2000 to be approximately $1.5 billion. We believe that the worldwide market for regulated medical waste management services is currently approximately $3.0 billion and is in excess of $10.0 billion when ancillary services such as training, education, product sales and consulting services are taken into account. Industry growth is driven by a number of factors. These factors include:

PRESSURE TO REDUCE HOSPITAL COSTS LEADS TO OUTSOURCING. The health care industry is under pressure to reduce costs and improve efficiency. To accomplish this reduction, it is using outside contractors to perform some services, including medical waste management. We believe that our medical waste management services help health care providers reduce costs by reducing their medical waste tracking, handling and compliance costs, reducing their potential liability related to employee exposure to bloodborne pathogens and other infectious material, and reducing the amount of money invested in on-site treatment of medical waste.

GROWING IMPORTANCE OF SMALLER ACCOUNT CUSTOMERS. We believe that managed care and other health care cost-containment pressures are causing patient care to shift from institutional higher-cost acute-care settings to less expensive, smaller, off-site treatment alternatives. Many common diseases and conditions are now being treated in smaller non-institutional settings. We believe that these non-institutional alternate-site health care expenditures will continue to grow as cost-cutting pressures increase.

AGING OF POPULATION. According to industry statistics, the "baby boom" generation (births between 1946 and 1964) constitutes approximately 30% of the United States population. The relative size of this generation, combined with declining birth rates, will continue to result in an increase in the average age of the population, while falling mortality rates ensure that the average person will live longer. As people age, they typically require more medical attention and a wider variety of tests and procedures. In addition, as technology improves, more tests and procedures become available. All of these factors lead to increased generation of medical waste.

ENVIRONMENTAL AND SAFETY REGULATION. We believe that many businesses which are not currently using outsourced medical waste services are unaware of the need for proper training of employees and the Occupational Safety and Health Administration ("OSHA") requirements regarding the handling of medical waste. These businesses include restaurants, casinos, hotels and generally all businesses where employees may come into contact with bloodborne pathogens. In addition, home health care is currently unregulated and may become subject to similar bloodborne pathogen regulations in the future.

Our industry is subject to extensive regulation beyond the MWTA. For example, the new stringent Clean Air Act regulations adopted in 1997 limit the discharge into the atmosphere of pollutants released by medical waste incineration. These regulations are expected to increase the costs of operating medical waste incinerators and to result in significant closures of on-site treatment facilities, thereby increasing the demand for off-site treatment services. In 1997, the U.S. Environmental Protection Agency ("EPA") estimated that approximately 83-90% of small medical waste incinerators, 60-95% of medium medical waste incinerators and up to 35% of large medical waste incinerators in the United States will be closed over the next several years. In addition, OSHA has issued regulations concerning employee exposure to bloodborne pathogens and other potentially infectious materials that require, among other things, special procedures for the handling and disposal of medical waste and annual training of all personnel who may be exposed to blood and other body fluids. We believe that these regulations will help to expand the market for our services beyond traditional providers of health care.

COMPETITIVE STRENGTHS

We believe that we benefit from the following competitive strengths:

MARKET LEADER. We are the largest and the only national provider of medical waste management services in the United States. As a result of our market leadership position, we provide our customers with superior, vertically-integrated services as well as a variety of products, and we are the only industry participant able to provide national accounts with local service. We believe that our leading market position provides us with more operating leverage and a unique competitive advantage in attracting and retaining customers as compared to our smaller regional and local competitors.

BROAD RANGE OF SERVICES. We offer our customers a broad range of services to help them develop internal systems and processes which allow them to manage their medical waste efficiently and safely from the point of generation through treatment and disposal. For example, we have developed programs to help train our customers' employees on the proper methods of handling medical waste in order to reduce potential employee exposure. Other services include those designed to help clients ensure and maintain compliance with OSHA and other relevant regulations. We also supply specially designed containers for use by most of our large account customers, including our Steri-Tub(R) container, a reusable leak and puncture-resistant container, made from recycled plastic, which we developed and patented.

ESTABLISHED NATIONAL NETWORK. Our 33 treatment/collection centers and our over 250,000 customers in 48 states give us the largest and the only national network in the regulated medical waste industry. In addition, we also serve customers in Canada, Mexico and Puerto Rico. The extensive federal, state and local laws and regulations governing the regulated medical waste industry typically require some type of governmental approval for new facilities. These approvals are frequently opposed by elected officials, local residents or citizen groups, and can be difficult to obtain. We have significant experience in obtaining and maintaining these permits, authorizations and other types of governmental approvals. We believe that a network similar in scale and scope to ours would be expensive and time-consuming for a competitor to develop.

LOW-COST OPERATOR. We are often the low-cost provider within the markets we serve. Our low cost results from our vertically-integrated network and our broad geographic presence. As a result, we are able to: increase our route densities, which permits our drivers to make more stops per shift; minimize the distance traveled by our collection vehicles to treatment facilities; and increase the utilization of our equipment and facilities to treat more of the waste that we collect internally. Our next largest competitor in the U.S. market has four treatment facilities, and we believe that most of our competitors do not have fully integrated operations. We believe that our vertically-integrated operations provide us with a competitive advantage over smaller, less integrated competitors.

DIVERSE CUSTOMER BASE AND REVENUE STABILITY. We have developed strong contracts and service agreements with a diverse network of established customers. Our top 10 customers account for less than 3% of revenues, and no single customer accounts for more than 1% of revenues. We believe that our diverse customer base would mitigate the impact of the loss of any particular customer. We are also generally protected from regulatory changes and other factors which affect our costs, because our contracts typically contain provisions which allow us to adjust our prices to reflect any additional costs caused by changes in regulations or costs.

STRONG SALES NETWORK AND PROPRIETARY DATABASE. We have the largest sales force in the medical waste industry. We use both telemarketing and direct sales efforts to obtain new customers. In addition, we have developed a large proprietary database of potential new small account customers, which we believe gives us a competitive advantage in identifying and reaching these higher-margin accounts.

EXPERIENCED MANAGEMENT TEAM. Our four most senior executives and the Chairman of our Board of Directors collectively have over 70 years of management experience in the health care and waste management industries. Our Chief Executive Officer, Mark C. Miller, had more than 15 years of senior management experience at Abbott Laboratories and, since joining us in 1992 as Chief Executive Officer, has been with us during our growth from an early stage venture capital concept to the industry leader. Richard T. Kogler joined us in late 1998 as Executive Vice President for domestic operations and Chief Operating Officer. Mr. Kogler previously served in senior roles with American Disposal Services, Inc. Anthony J. Tomasello has been our Executive Vice President for international operations and Chief Technical Officer since January 1999, and previously was our Vice President, Operations beginning in 1990. Mr. Tomasello was previously president and chief operating officer of Pi Enterprises and Orbital Systems. Frank J.M. ten Brink, our Executive Vice President and Chief Financial Officer, previously served as chief financial officer of Telular, Inc. and Hexacomb Corporation. Jack W. Schuler, our Chairman, is also currently chairman of the board of directors of Ventana Medical Systems. Mr. Schuler was previously president and chief operating officer of Abbott Laboratories.

BUSINESS STRATEGY

Our goals are to strengthen our position as the largest provider of integrated services in the regulated medical waste industry and to continuously improve our profitability. Components of our strategy to achieve these goals include:

TARGET HIGHER MARGIN, SMALL ACCOUNT CUSTOMERS. We intend to continue actively targeting and increasing our base of higher-margin, small account customers. We have successfully raised the percentage of our revenues from small account customers from 33% of revenues in the fourth quarter of 1996 to 57% in the fourth quarter of 2000, which has helped to increase our operating income margin significantly. Small account customers typically do not produce a sufficient volume of regulated medical waste on an individual basis to justify capital expenditures on their own waste treatment facilities or the expense of hiring regulatory compliance personnel. Small account customers are more service sensitive and typically rely on fully integrated service providers like us for timely waste removal, staff training, assistance with recordkeeping, and OSHA compliance consulting. We believe that the number of small account customers and the opportunities for sales of ancillary services and products to these customers will continue to grow, which will generate significant additional opportunities for revenue growth.

CAPITALIZE ON OUTSOURCING DUE TO NEWLY ENACTED CLEAN AIR REGULATIONS. The Clean Air Act regulations have increased both the capital costs required to bring many existing incinerators into compliance and the operating costs of continued compliance. The EPA expects that many hospitals will shut down their incinerators in response to regulations adopted in 1997, which limit the discharge into the atmosphere of pollutants released by medical waste incineration. We plan to capitalize on the anticipated movement by hospitals to outsource medical waste treatment rather than incur the cost of installing the air pollution control systems necessary to comply with these EPA regulations. Because our facilities are modern and well maintained, we believe that our future capital expenditures required to bring our incinerators into compliance with these new regulations will be covered within our normal capital expenditure budgets.

EXPAND RANGE OF SERVICES AND PRODUCTS. We believe that we have the opportunity to expand our business by increasing the range of products and services that we offer to our existing customers. For example, we are expanding our collection and treatment services through the inclusion of materials like photographic chemicals, lead foils and amalgam used in dental and radiology laboratories. In addition, we now offer a broad range of OSHA compliance and consulting services to our dental customers and have begun to offer these services to other types of customers. Because our drivers call on numerous medical facilities on a routine basis, we also offer many single-use disposable medical supplies to our medical customers, and we may increase these offerings in the future.

ACQUISITIONS

EVALUATION AND INTEGRATION. We believe that our management team has substantial experience in evaluating potential acquisition candidates and determining whether a particular medical waste management business can be successfully integrated into our business. In determining whether to proceed with a business acquisition, we evaluate a number of factors including:

- the financial impact of the proposed acquisition, including the effect on our cash flow and earnings per share
- the historical and projected financial results of the target company
- the purchase price negotiated with the seller and our expected internal rate of return
- the composition and size of the target company's customer base
- the efficiencies that we can achieve by integrating the target company with one or more of our existing operations
- the potential for enhancing or expanding our geographic service area and allowing us to make other acquisitions in the same service area
- the experience, reputation and personality of the target company's management
- the target company's reputation for customer service and relationships with the communities that it serves
- whether the acquisition gives us any strategic advantages over our competition

We have established an efficient procedure for integrating newly-acquired companies into our business while minimizing disruption of our operations. Once a business is acquired, we implement programs designed to improve customer service, sales, marketing, routing, equipment utilization, employee productivity, operating efficiencies and overall profitability.

BFI ACQUISITION. In November 1999, we completed the acquisition from Allied Waste Industries, Inc. ("Allied") of the medical waste business of Browning-Ferris Industries, Inc. ("BFI") in the United States, Canada and Puerto Rico. Allied had acquired BFI in a merger completed in July 1999. Prior to our acquisition, BFI had been the largest provider of regulated medical waste services in the United States, with revenues of $201.7 million for the 12 months ended June 30, 1999. The purchase price for the acquisition was $410.5 million in cash. We paid the purchase price from the following sources, in addition to cash on hand: (i) $225.0 million in borrowings under the term loan facilities of a new senior credit facility that we established with DLJ Capital Funding, Inc., Deutsche Bank and Bank of America, N.A.; (ii) $125.0 million in proceeds from the sale of 12-3/8% senior subordinated notes due 2009; and (iii) $75.0 million in proceeds from the issuance of new Series A Convertible Preferred Stock to certain investment funds associated with Bain Capital, Inc. and Madison Dearborn Partners, Inc. These transactions were completed concurrently with the completion of our acquisition of BFI medical waste business.

RECENT ACQUISITIONS. We completed a total of 43 acquisitions from 1993 through 1999. In 2000, we completed a further seven acquisitions, as follows:

Seller	Date	Markets Served
A & J Medwaste, Inc.	October 2000	Florida
Waste Management of New York, Inc.	September 2000	New York
Environmental Solutions LLC	August 2000	Minnesota
Sharps Away (JS Holdings, Inc.)	August 2000	Minnesota
Stick Proof Company	July 2000	North Carolina
Med Tech Environmental Services, Inc.	May 2000	New York
American Medical Waste, Inc.	March 2000	California

SERVICES AND OPERATIONS

Our services and operations are comprised of collection, transportation, treatment, disposal and recycling, together with related training and education programs, consulting services and product sales. We have 33 treatment/collection facilities located in 22 states, Puerto Rico, Canada and Mexico that serve approximately 250,000 customers, consisting of approximately 245,300 small account customers and approximately 4,700 large account customers. We develop programs to help our customers handle, separate and contain medical waste. We also advise our health care customers on the proper methods of recording and documenting their medical waste management to comply with federal, state and local regulations. In addition, we offer consulting services to our health care customers to assist them in reducing the amount of medical waste they generate.

COLLECTION AND TRANSPORTATION. We consider efficiency of collection and transportation to be a critical element of our operations because it represents the largest component of our operating costs. We try to maximize the number of stops on each route. We use a tracking system for our collection vehicles that helps to improve efficiency. We try to match the size of our collection vehicles to the amount of medical waste to be collected at a particular stop or on a particular route. We collect reusable containers or corrugated boxes of medical waste from our customers at intervals depending upon customer requirements, terms of service and volume of medical waste produced. The containers or boxes are inspected at the customer's site prior to pickup. The waste is then transported directly to one of our treatment facilities or to one of our transfer stations where it is combined with other medical waste and transported to a treatment facility. In some select circumstances we transport medical waste to other specially-licensed medical waste treatment facilities. We transport small quantities of specific hazardous substances, such as photographic fixer, lead foils and dental amalgam, from certain of our customers to a metals recycling operation.

The use of transfer stations is another important component of our collection and transportation operations. We utilize transfer stations in a "hub and spoke" configuration which allows us to expand our geographic service area and increase the volume of medical waste that can be treated at a particular facility. Smaller loads of waste containers are temporarily held at the transfer stations until they can be consolidated into full truckloads and transported to a treatment facility.

] As part of our collection operations, we supply specially-designed containers for use by most of our large account customers and many of our larger small account customers. We have developed and patented a reusable leak and puncture-resistant container, made from recycled plastic, which we call the Steri-Tub(R) container. The plastic container enables our customers to reduce costs by reducing the number of times that medical waste is handled, eliminating the cost (and weight) of corrugated boxes and potentially reducing liability resulting from human contact with medical waste. The plastic containers are designed to maximize the loads that will fit within the cargo compartments of standard trucks and trailers. We believe that these features make the Steri-Tub(R) plastic container superior to our competitors' reusable containers. If a customer generates a large volume of waste, we will place a large temporary storage container or trailer on the customer's premises. In order to maximize regulatory compliance and minimize potential liability, we will not accept medical waste unless it is properly packaged by customers in containers that we have either supplied or approved.

TREATMENT AND DISPOSAL. Upon arrival at a treatment facility, containers or boxes of medical waste are scanned to verify that they do not contain any unacceptable substances like radioactive material. Any container or box that is discovered to contain unacceptable waste is returned to the customer. In some cases our operating permits require that unacceptable waste be reported to regulatory authorities. After inspection, the waste is treated using one of our various treatment technologies. Upon completion of the particular process, the resulting waste or incinerator ash is transported for resource recovery, recycling or disposal in a nonhazardous waste landfill operated by parties unaffiliated with us. After the plastic containers such as Steri-Tubs(R) have been emptied, they are washed, sanitized and returned to customers for re-use.

CONSULTING SERVICES. Before medical waste is picked up by our trucks, our integrated waste management approach attempts to "build in" efficiencies that will yield logistical advantages. For example, our consulting services can assist our customers in reducing the volume of medical waste that they generate. In addition, we provide customers with the documentation necessary for compliance with laws, which, if they complete the documentation properly, will reduce interruptions to their businesses to verify compliance.

DOCUMENTATION. We provide complete documentation to our customers for all medical waste that we collect, including the name of the generator, date of pick-up and date of delivery to a treatment facility. We believe that our documentation system meets all applicable federal, state and local regulations regarding the packaging and labeling of medical waste, including regulations issued by the U.S. Department of Transportation, OSHA and state and local authorities. This documentation is sometimes used by our customers to prove that they are in compliance with these regulations. These customers will often pay for us to store, retrieve and reprint old manifests and other documentation. We believe that our ability to offer document archiving and retrieval services represents a competitive advantage.

MARKETING AND SALES

MARKETING STRATEGY. We have the largest sales force in the medical waste industry. We use both telemarketing and direct sales efforts to obtain new customers. In addition, we have developed a large proprietary database of potential new small account customers, which we believe gives us a competitive advantage in identifying and reaching these higher-margin accounts.

Our more than 900 drivers also may participate in our marketing and sales efforts by actively soliciting small account customers while they service their routes.

SMALL ACCOUNT CUSTOMERS. We have targeted small account customers as a growth area. We believe that these customers offer high profit potential compared to other potential customers. Typical small account customers are individual or small groups of doctors, dentists and other health care providers who are widely dispersed and generate only small amounts of medical waste. These customers are very concerned about having the medical waste picked up and disposed of in compliance with applicable state and federal regulations. We believe that that these customers view the potential risks of non-compliance with applicable state and federal medical waste regulations as disproportionate to the cost of the services that we provide. We believe that this factor has been the basis for the significantly higher gross margins that we have achieved with our small account customers relative to our large account customers.

Our "Steri-Safe" program, which after market testing in 1999, we began to offer to select new and existing small account customers in 2000, provides an integrated medical waste management and compliance-assistance program for small account customers who typically lack the internal personnel and systems to comply with OSHA bloodborne regulations. Our Steri-Safe customers pay a predetermined fee in advance for medical waste collection and treatment services and can also choose from available packages of training and education services and products designed to help them to comply with OSHA regulations. We believe that our implementation of the Steri-Safe program will provide us with new and enhanced opportunities to leverage our existing customer base through the program's prepayment structure and diversified product and service offerings.

We also operate several "mail-back" programs through which we can reach small account customers located in outlying areas that would be inefficient to serve using our regular route structure.

LARGE ACCOUNT CUSTOMERS. We believe that we have been successful in serving large account customers and plan to continue to serve those customers as long as satisfactory levels of profitability can be maintained. Our marketing and sales efforts to large account customers are conducted by full-time account executives whose responsibilities include identifying and attracting new customers and serving our existing account base of approximately 4,700 large account customers. In addition to securing new contracts, our marketing and sales personnel provide consulting services to our health care customers, assisting them in reducing the amount of medical waste that they generate, training their employees on safety issues and implementing programs to audit, classify and segregate medical waste in a proper manner.

We believe that the implementation of more stringent Clean Air Act and other federal regulations directly and indirectly affecting medical waste will enable us to improve our marketing efforts to large account customers because the additional costs that they will incur to comply with these regulations will make the costs of our services more attractive, particularly relative to their use of their own incinerators.

NATIONAL ACCOUNTS. As a result of our extensive geographic coverage, we are the only medical waste business capable of servicing national account customers (i.e., customers requiring medical waste disposal services at various geographically dispersed locations). We will continue to selectively focus on national accounts (as the BFI medical waste business had done successfully prior to our acquisition).

CONTRACT AND SERVICE AGREEMENTS. We have long-term contracts with substantially all of our customers. We negotiate individual service agreements with each large account and small account customer. Although we have a standard form of agreement, particularly for small account customers, terms may vary depending upon the customer's service requirements and the volume of medical waste generated and, in some jurisdictions, requirements imposed by statute or regulation. Service agreements typically include provisions relating to the types of containers, frequency of collection, pricing, treatment and documentation for tracking purposes. Each agreement also specifies the customer's obligation to pack its medical waste in approved containers. Substantially all of our agreements with small account customers contain automatic renewal provisions.

Service agreements are generally for a period of one to five years, although customers may terminate on written notice and, in most service areas, upon payment of a penalty. Many payment options are available, including flat monthly, quarterly or annual charges. We may set our prices on the basis of the number of containers that we collect, the weight of the medical waste that we collect and treat, the number of collection stops that we make on the customer's route, the number of collection stops that we make for a particular multi-site customer, and other factors.

We have a diverse customer base, with no single customer accounting for more than 1% of revenues, and our top 10 customers accounting for less than 3% of revenues. We do not believe that the loss of any single customer would have a material adverse effect on our business, financial condition or results of operations.

INTERNATIONAL. We have also expanded beyond the United States and Canada. In 1996, we entered into an agreement with a Brazilian company, Companhia Auxiliar de Viacao e Obras ("CAVO"), to assist in exploring opportunities for the commercialization of our medical waste management technology in South America. This relationship was expanded in July 1998, when we entered into an agreement for an exclusive license to use our ETD technology in Brazil and for the sale to CAVO of two fully integrated ETD processing lines for use in treating medical waste in the Sao Paulo, Brazil metropolitan market.

In 1998, we formed Medam S.A. de C.V. ("Medam"), a Mexican joint venture company, to utilize our ETD technology to treat medical waste primarily in the Mexico City market. Medam operates a treatment facility with a 50 metric-ton per day capacity. This facility, which is the largest medical waste treatment facility permitted to date in Mexico, became operational in June 1998. In September 1999, we increased our interest in Medam from 24.5% to 49%, and in July 2000, we acquired a further 15% to give us a 64% interest in the joint venture.

In 1999, we established a joint venture in Argentina, Medam, B.A. Srl, to utilize our ETD technology to treat medical waste primarily in the Buenos Aires market. We also entered into agreements to supply ETD equipment and license ETD technology and other proprietary rights to Medam B.A., and to provide consulting assistance to Medam B.A. in the installation, start-up and validation of the ETD processing equipment in the joint venture's treatment facility in Buenos Aires.

In June 2000, we entered into agreements with Aso Cement Co., Ltd and Aso Mining Co., Ltd, to establish an ETD processing facility in Japan. Under these agreements, we will supply ETD processing equipment to Aso and provide consulting assistance to Aso in the installation, start-up and validation of the ETD equipment. In addition, we exclusively licensed to Aso our ETD technology and other proprietary rights for use in certain select territories within Japan.

In August 2000, we established a joint venture, Evertrade Medical Waste (Proprietary) Limited, a South Africa corporation, to utilize our ETD technology to treat medical waste in the Republic of South Africa. We also entered into agreements to supply ETD equipment and license ETD technology and other proprietary rights to Evertrade Medical Waste, and to provide consulting assistance to Evertrade Medical Waste in the installation, start-up and validation of the ETD processing equipment in the joint venture's treatment facility in South Africa.

TREATMENT TECHNOLOGIES

We primarily use three treatment technologies for treating regulated medical waste: autoclaving, incineration and our proprietary ETD technology. The approximate percentages of medical waste, by volume, that we treated in 2000, by type of treatment technology used, were as follows:

- autoclaving, 60-65%
- incineration, 27-32%
- our proprietary ETD technology, 8%

We vary our treatment of medical waste among available treatment technologies based on the type of waste and capacity and pricing considerations in each service area, in order to minimize operating costs and capital investments.

AUTOCLAVING. Autoclaving treats medical waste with steam at high temperature and pressure to kill pathogens. Autoclaving alone does not change the appearance of waste, and recognizable medical waste may not be accepted by some landfill operators, but autoclaving may be combined with a shredding or grinding process to render the medical waste unrecognizable.

INCINERATION. Incineration burns medical waste at elevated temperatures and reduces it to ash. Incineration reduces the volume of waste, and it is the recommended treatment and disposal option for some types of medical waste such as anatomical waste or residues from chemotherapy procedures. Air emissions from incinerators can contain certain byproducts which are subject to federal, state and, in some cases, local regulation. In some circumstances the ash byproduct of incineration may be regulated.

ETD TREATMENT PROCESS. Electro-thermal-deactivation ("ETD") includes a system for grinding medical waste. After grinding, ETD uses an oscillating field of low-frequency radio waves to heat medical waste to temperatures that destroy pathogens such as viruses, bacteria, fungi and yeast, without melting the plastic content of the waste. ETD employs low-frequency radio waves because they can penetrate deeper than high-frequency waves, like microwaves, which can penetrate medical waste of a typical density only to a depth of approximately five inches. ETD uses frequencies that match the physical properties of medical waste, enabling the ETD treatment process to kill pathogens at temperatures as low as 90(degree)C. Although ETD is effective in destroying pathogens present in anatomical waste, we do not currently treat anatomical waste using the ETD process.

We believe that ETD offers advantages over many other methods of treating medical waste. We believe that it is easier to get permits for ETD facilities than for incineration facilities because ETD does not produce fluid or air pollution. ETD facilities also can be more cost-effective to construct than incinerators or autoclaves with shredding capability. ETD also renders medical waste unrecognizable and thus more acceptable for landfills and reduces the volume of waste as well. It may also facilitate recycling of polypropylene plastics and some of the ETD-treated waste may be used for fuel in "waste-to-energy" electrical plants.

COMPETITION

The medical waste services industry is highly competitive. It consists of many different types of service providers, including a large number of regional and local companies. Another major source of competition is the on-site treatment of medical waste by some large-quantity generators, particularly hospitals.

In addition, we face potential competition from businesses that are attempting to commercialize alternate treatment technologies or products designed to reduce or eliminate the generation of medical waste, such as reusable or degradable medical products.

We compete for service agreements primarily on the basis of cost-effectiveness, quality of service and geographic location. We also attempt to compete by demonstrating to customers that we can do a better job in reducing their potential liability. Our ability to obtain new service agreements may be limited by the fact that a potential customer's current vendor may have an excellent service history or a long-term service contract or may offer prices to the potential customer that are lower than ours.

GOVERNMENTAL REGULATION

We operate within the medical waste management industry, which is subject to extensive and frequently changing federal, state and local laws and regulations. This statutory and regulatory framework imposes compliance burdens and risks on us, including requirements to obtain and maintain government permits. These permits grant us the authority, among other things:

- to construct and operate treatment and transfer facilities
- to transport medical waste within and between relevant jurisdictions, and
- to handle particular regulated substances

Our permits must be periodically renewed and are subject to modification or revocation by the regulatory authority. We are also subject to regulations that govern the definition, generation, segregation, handling, packaging, transportation, treatment, storage and disposal of medical waste. We are also subject to extensive regulations designed to minimize employee exposure to medical waste. In addition, we are subject to foreign laws and regulations.

FEDERAL REGULATION. There are at least four federal agencies that have authority over medical waste. These agencies are the EPA, OSHA, the U.S. Department of Transportation and the U.S. Postal Service. These agencies regulate medical waste under a variety of statutes and regulations.

Medical Waste Tracking Act of 1988. In the late 1980s, the EPA outlined a two-year demonstration program pursuant to the Medical Waste Tracking Act of 1988 ("MWTA"), which was added to the Resource Conservation and Recovery Act of 1976. The MWTA was adopted in response to health and environmental concerns over infectious medical waste after medical waste washed ashore on beaches, particularly in New York and New Jersey, during the summer of 1988. Public safety concerns grew following media reports of careless management of medical waste. The MWTA was intended to be the first step in addressing these problems. The primary objective of the MWTA was to ensure that medical wastes which were generated in a covered state and which posed environmental problems, including an unsightly appearance, were delivered to disposal or treatment facilities with minimum exposure to waste management workers and the public. The MWTA's tracking requirements included accounting for all waste transported and imposed civil and criminal sanctions for violations.

In regulations implementing the MWTA, the EPA defined medical waste and established guidelines for its segregation, handling, containment, labeling and transport. The MWTA demonstration program expired in 1991, but the MWTA established a model followed by many states in developing their specific medical waste regulatory frameworks.

Clean Air Act Regulations. In August 1997, the EPA adopted regulations under the Clean Air Act Amendments of 1990 that limit the discharge into the atmosphere of pollutants released by medical waste incineration. These regulations required every state to submit to the EPA for approval a plan to meet minimum emission standards for these pollutants. See "--State and Local Regulation." In 1997, the EPA estimated that of the approximately 1,100 small, 690 medium and 460 large medical waste incinerators in operation in May 1996, approximately 83-90% of the small incinerators, 60-95% of the medium incinerators and up to 35% of the large incinerators will be closed as hospitals seek less expensive methods of medical waste disposal rather than incur the cost of installing the necessary air pollution control systems to comply with the EPA's regulations. We currently operate 12 incinerators. Because our facilities are modern and well maintained, we believe that our future capital expenditures required to bring our incinerators into compliance with these new regulations will be covered by our normal capital expenditure budget. We believe that we will be successful in obtaining all necessary federal and state permits to continue the operation of our incinerators. The Natural Resources Defense Council, an environmental organization, has sued the EPA challenging the validity of its regulations on the grounds that the minimum emissions standards are too lenient. If successful, this lawsuit could result in the EPA's adoption of stricter air emissions standards for medical waste incinerators. Stricter emissions standards could benefit us if the result is that hospitals and other generators increase or accelerate their use of outside medical waste treatment contractors like us. Stricter emissions standards could also increase the cost to bring our own incinerators into compliance with the more stringent standards. We might also face price increases for treatment of medical waste that we deliver to other parties for incineration.

Occupational Safety and Health Act of 1970. The Occupational Safety and Health Act of 1970 authorizes OSHA to issue occupational safety and health standards. OSHA regulations are designed to minimize the exposure of employees to hazardous work environments. Various standards apply to certain aspects of our operations. These regulations govern, among other things:

- exposure to bloodborne pathogens and other potentially infectious materials
- lock out/tag out procedures
- medical surveillance requirements
- use of respirators and personal protective equipment
- emergency planning
- hazard communication
- noise
- ergonomics
- forklift safety

We are subject to unannounced OSHA safety inspections at any time.

Our employees are required by our policy to receive new employee training, annual refresher training and training in their specific tasks. As part of our medical surveillance program, employees receive pre-employment physicals, including drug testing, annually-required medical surveillance and exit physicals. We also subscribe to a drug-free workplace policy.

Resource Conservation and Recovery Act of 1976. In 1976, Congress passed the Resource Conservation and Recovery Act of 1976 ("RCRA") as a response to growing public concern about problems associated with the handling and disposal of solid and hazardous waste. RCRA required the EPA to promulgate regulations identifying hazardous wastes. RCRA also created standards for the generation, transportation, treatment, storage and disposal of solid and hazardous wastes. These standards included a documentation program for the transportation of hazardous wastes and a permit system for solid and hazardous waste disposal facilities. Medical wastes are currently considered non-hazardous solid wastes under RCRA. However, some substances collected by us from some of our customers, including photographic fixer developer solutions, lead foils and dental amalgam, are considered hazardous wastes.

We use landfills operated by parties unrelated to us for the disposal of treated medical waste from two of our ETD facilities and for the disposal of incinerator ash and autoclaved waste. Waste is not regulated as hazardous under RCRA unless it contains hazardous substances exceeding certain quantities or concentration levels, meets specified descriptions, or exhibits specific hazardous characteristics. Following treatment, waste from our ETD and autoclave facilities is disposed of as nonhazardous waste. At our incineration facilities, we test ash from the incineration process to determine whether it must be disposed of as hazardous waste.

We employ quality control measures to check incoming medical waste for specific types of hazardous substances. Our customer agreements also require our customers to exclude different kinds of hazardous substances or radioactive materials from the medical waste they provide us. We use a different type of contract for the relatively small number of customers from whom we pick up hazardous wastes.

DOT Regulations. The U.S. Department of Transportation ("DOT") has put regulations into effect under the Hazardous Materials Transportation Authorization Act of 1994 which require us to package and label medical waste in compliance with designated standards, and which incorporate bloodborne pathogens standards issued by OSHA. Under these standards, we must, among other things, identify our packaging with a "biohazard" marking on the outer packaging, and our medical waste container must be sufficiently rigid and strong to prevent tearing or bursting and must be puncture-resistant, leak-resistant, properly sealed and impervious to moisture.

DOT regulations also require that a transporter be capable of responding on a 24-hour-a-day basis in the event of an accident, spill, or release to the environment of a hazardous material. We have entered into an agreement with CHEMTREC, an organization that provides 24-hour emergency spill notification in the United States and Canada, to provide this service, and we also have agreements with several emergency response organizations to provide spill cleanup services in some of our service areas.

Our drivers are trained on topics such as safety, hazardous materials, medical waste, hazardous chemicals and infectious substances. Employees are trained to deal with emergency spills and releases of hazardous materials, and we have a written contingency plan for these events. Our vehicles are outfitted with spill control equipment and the drivers are trained in its use.

Comprehensive Environmental Response, Compensation and Liability Act of 1980. The Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") established a regulatory and remedial program to provide for the investigation and cleanup of facilities that have released or threaten to release hazardous substances into the environment. CERCLA and state laws similar to it may impose strict, joint and several liability on the current and former owners and operators of facilities from which releases of hazardous substances have occurred and on the generators and transporters of the hazardous substances that come to be located at these facilities. Responsible parties may be liable for substantial site investigation and cleanup costs and natural resource damages, regardless of whether they exercised due care and complied with applicable laws and regulations. If we were found to be a responsible party for a particular site, we could be required to pay the entire cost of the site investigation and cleanup, even though other parties also may be liable. This result would be the case if we were unable to identify other responsible parties, or if those parties were financially unable to contribute money to the cleanup.

United States Postal Service. We have obtained a permit from the U.S. Postal Service to conduct our "mail-back" program, pursuant to which customers mail approved "sharps" (needles, knives, broken glass and the like) containers directly to our treatment facilities.

STATE AND LOCAL REGULATION. We conduct business in numerous states. Each state has its own regulations related to the handling, treatment and storage of medical waste. Although there are many differences among the various state laws and regulations, many states have followed the medical waste model under the MWTA and are implementing programs under RCRA. In each of the states where we operate a treatment facility or a transfer station, we are required to comply with numerous state and local laws and regulations as well as our operating plan for each site. State agencies involved in regulating the medical waste industry are frequently the departments of health and environmental protection agencies. In addition, many local governments have ordinances, local laws and regulations, such as zoning and health regulations, that affect our operations.

States usually regulate medical waste as a solid or "special" waste and not as a hazardous waste under RCRA. State definitions of medical waste include:

- microbiological waste (cultures and stocks of infectious agents)
- pathology waste (human body parts from surgical procedures and autopsies)
- blood and blood products, and
- sharps

Most states require segregation of different types of medical waste at the hospital or other location where they were created. A majority of states require that the universal biohazard symbol or a label appear on medical waste containers. Storage regulations may apply to the party generating the waste, the treatment facility, the transport vehicle, or all three. Storage rules seek to identify and secure the storage area for public safety as well as set standards for the manner and length of storage. Many states require employee training for safe environmental cleanup through emergency spill and decontamination plans. Many states also require that transporters carry spill equipment in their vehicles. Those states whose regulatory framework relies on the MWTA model have tracking document systems in place. Some states (Washington, for example) regulate the prices that we may charge.

We maintain numerous governmental permits and licenses to conduct our business. Our permits vary from state to state based upon our activities within that state and on the applicable state and local laws and regulations. These permits include:

- transport permits for solid waste, medical waste and hazardous substances
- permits to construct and operate treatment facilities
- permits to construct and operate transfer stations
- permits governing discharge of sanitary water and registration of equipment under air regulations
- approvals for the use of ETD and other technologies to treat medical waste, and
- various business operator's licenses

We believe that we are currently in compliance in all material respects with our permits and applicable laws and regulations.

Pursuant to medical waste incinerator regulations adopted by the EPA in 1997, every state was required by September 1998 to adopt a plan to comply with federal guidelines which, among other things, limit the release of some airborne pollutants from medical waste incinerators to levels prescribed by the EPA. Each state's implementation plan must be at least as restrictive as the federal emissions standards. If a state in which we operate an incinerator adopts more stringent limits than the federal emissions standards, it could be very expensive for us to bring our incinerator into compliance with the state's requirements. See "--Governmental Regulation--Federal Regulation--Clean Air Act Regulations."

FOREIGN AND TERRITORIAL REGULATION. We presently conduct business in several provinces in Canada. Our activities in British Columbia are governed at the federal level by the Canadian Transportation of Dangerous Goods Act and the Canadian Environmental Protection Act, and at the provincial level by comparable legislation. The Canadian Environmental Protection Act regulates, among other things, the transborder movement of medical waste. The federal Transportation of Dangerous Goods Act regulates the movement of dangerous goods, including infectious substances, by all modes of transportation. It imposes joint and several liability on all persons who are responsible for, or who caused or contributed to the release of any dangerous substance into the environment. Any business engaged in a regulated activity is presumed to be liable for any release, unless the business can demonstrate that it acted reasonably.

Provincial legislation typically regulates the storage, transportation and disposal of waste, including biomedical waste, and imposes strict, joint and several liability for all the costs of cleanup of contaminated sites.

We presently conduct business in the United States territory of Puerto Rico. Our storage and treatment activities in Puerto Rico are governed at the territorial level by the Puerto Rico Environmental Quality Board, while the U.S. DOT regulates the transportation of medical waste in Puerto Rico and applies the regulations promulgated under the Hazardous Materials Transportation Authorization Act of 1994.

We believe that we have obtained all permits required by Canadian federal and provincial legislation and by federal and territorial legislation applicable to Puerto Rico.

We also conduct business in Mexico through our joint venture, Medam, which collects medical waste and transports it for treatment to a new facility close to Mexico City. Medical waste is regulated in Mexico as a category of waste distinct from solid or "municipal" waste. Mexican regulations have established collection schedules that are specific to the type and size of generator. The Secretariat of the Environment, Natural Resources and Fisheries is responsible for the enforcement of Mexico's medical waste law. We believe that our joint venture operations in Mexico are in compliance with all material applicable laws, rules and regulations.

If we expand our operations into other foreign jurisdictions, we will be required to comply with the laws and regulations of each of these jurisdictions.

PERMITTING PROCESS. Each state in which we currently operate, and each state in which we may operate in the future, has a specific permitting process. After we have identified a geographic area in which we want to locate a treatment or transfer facility, we identify one or more locations for a potential new site. Typically, we will develop a site contingent on obtaining zoning approval and local and state operating authority. Most communities rely on state authorities to provide operating rules and safeguards for their community. Usually the state provides public notice of the project and, if enough public interest is shown, a public hearing may be held. If we are successful in meeting all regulatory requirements, the state may issue a permit to construct the treatment facility or transfer station. Once the facility is constructed, the state may again issue public notice of its intent to issue an operating permit and may provide an opportunity for public opposition or other action that may impede our ability to construct or operate the planned facility. Permitting for transportation operations frequently involves registration of vehicles, inspection of equipment, and background investigations on our officers and directors.

We have been successful in obtaining permits for our current medical waste transfer, treatment and processing facilities and for our transportation operations. Several of our past attempts to construct and operate medical waste treatment facilities, however, have met with significant community opposition. In some of these cases, we have withdrawn our permit application.

PATENTS AND PROPRIETARY RIGHTS

We consider the protection of our technology to be important to our business. Our policy is to protect our technology by a variety of means, including applying for patents in the United States and in some foreign countries.

We hold nine United States patents relating to the ETD treatment process and other aspects of processing medical waste. We have filed or have been assigned patent applications in several foreign countries and we have received patents in Russia, Hungary, Canada, Mexico and Australia. We also hold one United States patent for our reusable container, which is used under the registered trademark Steri-Tub(R).

The term of the first-to-end of our existing United States patents relating to our ETD treatment process will end in October 2009 at the earliest or in September 2010 at the latest, and the term of the last-to-end of these patents will end in January 2015.

In addition, we own additional technology relating to the processing of medical waste and other health care waste that we believe is patentable. We are evaluating the technology to determine whether to file for patent protection on it.

We own federal registrations of the trademarks "Steri-Fuel(R)," "Steri-Plastic(R)," "Steri-Tub(R)," and "Steri-Cement(R)," the service mark Stericycle(R) and a service mark consisting of six green disks that we use in the United States. There can be no assurance that our registered or unregistered trademarks or service marks will not infringe upon the rights of other parties. The requirement to change any trademark, service mark or trade name of us could result in the loss of any goodwill associated with that trademark, service mark or trade name and could entail significant expense.

We also rely on unpatented and unregistered trade secrets, trademarks, proprietary know-how and continuing technological innovation. We try to protect this information, in part, by confidentiality agreements with our employees, vendors and consultants. There can be no assurance that these agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets or know-how will not otherwise become known or independently discovered by other parties.

EMPLOYEES

As of December 31, 2000, we had 2,369 full-time and 82 part-time employees (including employees of our subsidiaries). Approximately 140 of our drivers and transportation helpers are covered by a total of eight collective bargaining agreements with local unions of the International Brotherhood of Teamsters. These agreements expire at various dates from April 2002 to April 2004. We consider our employee relations to be satisfactory.

POTENTIAL LIABILITY AND INSURANCE

The medical waste industry involves potentially significant risks of statutory, contractual, tort and common law liability claims. Potential liability claims could involve, for example:

- cleanup costs
- personal injury
- damage to the environment
- employee matters
- property damage
- alleged negligence or professional errors or omissions in the planning or performance of work

We could also be subject to fines or penalties in connection with violations of regulatory requirements.

We carry $26 million of liability insurance (including umbrella coverage), and under a separate policy, $10 million of aggregate pollution and legal liability insurance ($5 million per incident), which we consider sufficient to meet regulatory and customer requirements and to protect our employees, assets and operations. Our pollution liability insurance excludes liabilities under CERCLA. There can be no assurance that we will not face claims under CERCLA or similar state laws resulting in substantial liability for which we are uninsured and which could have a material adverse effect on our business.

Our insurance programs utilize large deductible plans offered by a commercial insurance company. Large deductible plans allow us the benefits of cost-effective risk financing while protecting us from catastrophic risk with specific stop loss insurance limiting the amount of self-funded exposure for any one loss and aggregate stop loss insurance limiting the self-funding exposure for any one year.

ITEM 2. FACILITIES

We lease office space for our corporate offices in Lake Forest, Illinois. We own or lease four ETD treatment facilities, nine incineration facilities, 15 autoclave facilities and five facilities that use a combination of these methods or other methods (including two facilities owned or leased by 3CI and one ETD facility owned by Medam). All of our treatment facilities also serve as collection sites. We own or lease 99 additional transfer and collection sites (including six sites owned or leased by 3CI). We consider that these facilities are adequate for our present and anticipated needs. Substantially all of our owned facilities are pledged to secure our indebtedness under our senior credit facility.

We do not own or operate any landfills or any other type of disposal site. After treatment, all remaining waste materials are transported to unaffiliated parties for permanent disposal.

ITEM 3. LEGAL PROCEEDINGS

We operate in a highly regulated industry and are exposed to regulatory inquiries or investigations from time to time. Government authorities can initiate investigations for a variety of reasons. We have been involved in several legal and administrative proceedings that have been settled or otherwise resolved on terms acceptable to us, without having a material adverse effect on our business. We are also a party to various legal proceedings arising in the ordinary course of business. We believe that the resolution of these other matters will not have a material adverse effect on us.

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

No matter was submitted to a vote of our stockholders during the fourth quarter of 2000.

SUPPLEMENTAL INFORMATION

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table contains certain information regarding our four current executive officers:

NAME	POSITION	AGE
Mark C. Miller	President, Chief Executive Officer and a Director	45
Richard T. Kogler	Executive Vice President and Chief Operating Officer	41
Anthony J. Tomasello	Executive Vice President and Chief Technical Officer	54
Frank J.M. ten Brink	Executive Vice President and Chief Financial Officer	44

Mark C. Miller has served as President and Chief Executive Officer and a director since joining us in May 1992. From May 1989 until he joined us, Mr. Miller served as Vice President for the Pacific, Asia and Africa in the International Division of Abbott Laboratories, which he joined in 1976 and where he held a number of management and marketing positions. He is a director of AmericasDoctor.com (formerly Affiliated Research Centers, Inc.) and Ventana Medical Services, Inc., and is a director of Lake Forest Hospital. Mr. Miller received a B.S. degree in computer science from Purdue University, where he graduated Phi Beta Kappa.

Richard T. Kogler joined us as Executive Vice President for domestic operations and Chief Operating Officer in December 1998. From May 1995 through October 1998, Mr. Kogler was Vice President and Chief Operating Officer of American Disposal Services, Inc., a solid waste management company. From October 1984 through May 1995, Mr. Kogler served in a variety of management positions with Waste Management, Inc. Mr. Kogler received a B.A. degree in chemistry from St. Louis University.

Anthony J. Tomasello has served as our Executive Vice President for international operations and Chief Technical Officer since January 1999 and previously had served as Vice President, Operations since joining us in August 1990. For eight years prior to joining us, Mr. Tomasello was President and Chief Operating Officer of Pi Enterprises and Orbital Systems, companies providing process and automation services. From 1980 to 1982, he served as Vice President of Operations for Spang and Company, an operating service firm specializing in resource recovery and recycling for manufacturing and process industries. Mr. Tomasello received a B.S. degree in mechanical engineering from the University of Pittsburgh.

Frank J.M. ten Brink has served as our Executive Vice President and Chief Financial Officer since June 1997. From 1991 until 1996 he served as Chief Financial Officer of Hexacomb Corporation, and from 1996 until joining us, he served as Chief Financial Officer of Telular Corporation. Prior to 1991, he held various financial management positions with Interlake Corporation and Continental Bank of Illinois. Mr. ten Brink received a B.B.A. degree in international business and a M.B.A. degree in finance from the University of Oregon.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our Common Stock is quoted on the Nasdaq National Market under the symbol "SRCL". On March 16, 2001, there were approximately 275 stockholders of record.

The following table provides the high and low sales prices of our Common Stock for each calendar quarter during our two most recent fiscal years:

Quarter	High	Low
First quarter 1999	18.000	11.438
Second quarter 1999	15.500	9.500
Third quarter 1999	16.313	11.875
Fourth quarter 1999	19.750	14.375
First quarter 2000	25.313	15.188
Second quarter 2000	25.875	19.000
Third quarter 2000	27.000	20.125
Fourth quarter 2000	42.250	24.063

We did not pay any dividends during 2000 and have never paid any dividends on our capital stock. We currently expect that we will retain future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. We are prohibited from paying cash dividends under the terms of our senior credit facility and the indenture pursuant to which we issued our 12-3/8% Senior Subordinated Notes due 2009, and under an agreement in connection with the industrial developments bonds issued to finance our treatment facility at Woonsocket, Rhode Island. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

ITEM 6. SELECTED FINANCIAL DATA
(Dollars in thousands except per share amounts)

	Year Ended December 31,				
	1996	1997	1998	1999	2000
Statements of Operations Data (1)					
Revenues	$24,542	$46,166	$66,681	$132,848	$323,722
Income (loss) from operations (2)	(2,437)	1,386	6,424	12,284	63,466
Net income (loss)	(2,389)	1,430	5,713	13,968(3)	14,511
Net income (loss) applicable to Common Stock	(2,389)	1,430	5,713	13,628	11,968
Diluted net income (loss) per share of Common Stock (4)	(0.32)	0.13	0.51	0.92(5)	0.72(5)
Depreciation and amortization	2,064	3,078	4,064	9,879	23,469
EBITDA (6)	$(373)	$4,464	$10,489	$30,689	$90,966
Balance Sheet Data (at December 31) (1)					
Cash, cash equivalents and short-term investments	$ 17,749	$7,709	$ 1,819	$ 19,629	$ 2,947
Total assets	55,155	61,226	97,755	595,786	597,982
Long-term debt, net of current maturities	4,591	3,475	23,460	355,444	345,104
Convertible redeemable preferred stock	--	--	--	69,195	71,437
Shareholder's equity	$40,014	$45,026	$53,651	$118,114	$134,700

(1) See Note 4 to the Consolidated Financial Statements for information concerning our acquisitions during the three years ended December 31, 2000.

(2) Includes $7,961,000 and $4,454,000 of acquisition related charges in 1999 and 2000, respectively.

(3) Includes $6,257,000 of tax benefit related to recognition of deferred tax asset principally related to unused net operating losses.

(4) See Note 8 to the Consolidated Financial Statements for information concerning the computation of net income (loss) per common share.

(5) Diluted net income per share of common stock for 1999 includes the effects of the acquisition related charges and tax benefit referred to in Notes (2) and (3), respectively. Without those items, fully-taxed diluted net income per share of common stock for 1999 would have been $0.62. Diluted net income per share of common stock for 2000 includes the affects of the acquisition related charges listed in Note (2). Without this item, fully-taxed diluted net income per share of common stock would have been $0.86.

(6) EBITDA for any period is calculated as the sum of net income, plus interest expense, income tax expense, depreciation expense, amortization expense and, in 1999 and 2000, acquisition related charges, to the extent deducted in calculating net income. We consider EBITDA to be a widely accepted financial indicator of a company's ability to service debt, fund capital expenditures and expand its business. EBITDA is not calculated the same way by all companies, is not a measurement required by generally accepted accounting principles and does not represent cash flow from operations as defined by generally accepted accounting principles. EBITDA should not be considered as an alternative to net income, as an indicator of operating performance or as an alternative to cash flow as a measure of liquidity.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion of the financial condition and results of operations of the Company should be read in conjunction with the Company's Consolidated Financial Statements and related Notes in Item 8 of this Report.

BACKGROUND

We were incorporated in March 1989. We provide regulated medical waste collection, transportation and treatment services to our customers and related training and education programs and consulting services. We also sell ancillary supplies and transport pharmaceuticals, photographic chemicals, lead foil and amalgam for recycling in selected geographic service areas. We are also expanding into international markets through joint ventures or by licensing our proprietary technology and selling associated equipment.

Our revenues have increased from $1.6 million in 1991 to $323.7 million in 2000. We derive our revenues from services to two principal types of customers: (i) long-term and sub-acute care facilities, outpatient clinics, medical and dental offices, biomedical companies, municipal entities and other smaller-quantity generators of regulated medical waste ("small account" customers) and (ii) hospitals, blood banks, pharmaceutical manufacturers and other larger-quantity generators of regulated medical waste ("large account" customers). Substantially all of our services are provided pursuant to customer contracts specifying either scheduled or on-call regulated medical waste management services, or both. Contracts with small account customers generally provide for annual price increases and have an automatic renewal provision unless the customer notifies us prior to completion of the contract. Contracts with hospitals and other large account customers, which may run for more than one year, typically include price escalator provisions, which allow for price increases generally tied to an inflation index or set at a fixed percentage. As of December 31, 2000, we served over 250,000 customers.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

The following summarizes (in thousands) our operations:

	Year Ended December 31, 2000		1999	
Revenues	$323,722	100.0%	$132,848	100.0%
Cost of revenues	196,345	60.7%	86,126	64.8%
Gross profit	127,377	39.3%	46,725	35.2%
Selling, general and administrative expenses	59,457	18.4%	26,480	19.9%
Income from operations before acquisition related costs	67,920	21.0%	20,245	15.2%
Acquisition related costs	4,454	1.4%	7,961	6.0%
Income from operations	63,466	19.6%	12,284	9.2%
Net income	14,511	4.5%	13,968	10.5%
Depreciation and amortization	23,469	7.2%	9,879	7.4%
EBITDA before acquisition related costs*	$90,966	28.1%	$30,689	23.1%
Earnings per share-- Diluted, fully taxed, before acquisition-related costs	$0.86		$0.62	
Cash flow per share**	$1.75		$1.25	

* EBITDA before acquisition related costs is calculated as the sum of net income, plus net interest expense, income tax expense, depreciation expense, amortization expense, and acquisition related costs, to the extent deducted in calculating net income.

** Cash flow per share includes the benefit of 15-year goodwill amortization for tax purposes versus 25 to 40 year goodwill amortization for book purposes and excludes acquisition related costs.

Revenues. Our revenues increased $190.9 million, or 143.7%, to $323.7 million during the year ended December 31, 2000 from $132.8 million during the year ended December 31,1999 as we had a full year of revenues from our acquisition of the medical waste business from Browning Ferris Industries, Inc. (the "BFI acquisition") completed in November 1999 and continued to focus on sales to higher-margin small account customers while simultaneously paring specified higher-revenue but lower-margin accounts with large account customers. Revenues generated from the sale of machinery and licensing of technology internationally were $7.2 million during 2000 as compared to $5.9 million during 1999. During 2000, acquisitions contributed approximately $180.0 million to the increase in our revenues from 1999. For the year, internal growth for small account customers increased approximately 8.0% while revenues from large account customers increased by approximately 3.5%.

Cost of revenues. Our cost of revenues increased $110.2 million or 128.0%, to $196.3 million during the year ended December 31, 2000, from $86.1 million during the year ended December 31, 1999. The increase was primarily due to the substantial increase in revenues during 2000 compared to 1999 and to the cost of equipment sold internationally. Our gross margin percentage increased to 39.3% during 2000 from 35.2% during 1999 as a result of the further integration of the BFI acquisition into our existing infrastructure, lower costs relating to the changing mix of small account versus large account customers, higher gross margins on international equipment sales, and increased utilization of treatment capacity.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased to $59.5 million during the year ended December 31, 2000, from $26.5 million during the year ended December 31,1999. This increase was largely the result of increases in selling and marketing expenses and goodwill amortization as a result of the BFI acquisition. Selling, general and administrative expenses as a percentage of revenue decreased to 18.4% during 2000 from 19.9% during 1999. Excluding amortization, selling, general and administrative expenses as a percent of revenue decreased to 14.1% during 2000 from 16.7% during 1999.

Acquisition related costs. During the year end December 31, 2000 we incurred integration and other non-recurring acquisition costs of $4.5 million related to the BFI acquisition as compared to $8.0 million during the year ended December 31, 1999. These costs included severance and facility closure costs, other non-recurring acquisition related costs, and transition related expenses. We anticipate that we will incur an additional $1,000,000 in acquisition related expenses during the year ended December 31, 2001.

EBITDA. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") before acquisition related charges increased by 196.4% to $91 million or 28.1% of revenues for the year ended December 31, 2000 as compared to $30.7 million or 23.1% of revenues for the year ended December 31, 1999. The increase in EBITDA is primarily due to the factors described above.

Interest expense and interest income. Interest expense increased to $39.8 million during the year ended December 31, 2000, from $6.2 million during the year ended December 31, 1999, primarily due to increased borrowings for the BFI acquisition. Interest income decreased to $.6 million during 2000, from $1.1 million during 1999, primarily due lower cash balances throughout the year.

Income tax expense. Income taxes for the year ended December 31, 2000 reflects an effective tax rate of approximately 39.1% for federal and state income taxes. Income tax expense for the year ended December 31, 1999 reflects a one time tax benefit of $6.3 million recorded in compliance with FASB 109.

YEAR ENDED DECEMBER 31, 1999 COMPARED TO YEAR ENDED DECEMBER 31, 1998

The following summarizes (in thousands) our operations:

	Year Ended December 31,			
	1999		1998	
Revenues	$132,848	100.0%	$ 66,681	100.0%
Cost of revenues	86,123	64.8%	45,328	68.0%
Gross profit	46,725	35.2%	21,353	32.0%
Selling, general and administrative expenses	26,480	19.9%	14,929	22.4%
Income from operations before acquisition related costs	20,245	15.2%	6,424	9.6%
Acquisition related costs	7,961	6.0%	-	-
			-	-
Income from operations	12,284	9.2%	6,424	9.6%
Net income	13,968	10.5%	5,713	8.6%
Depreciation and amortization	9,879	7.4%	4,064	6.1%
EBITDA before acquisition related costs*	$ 30,689	23.1%	$ 10,489	15.7%
Earning per share				
Diluted, fully taxed before acquisition-related costs	$ 0.62		$ 0.34	
Cash flow per share**	$ 1.25		$ 0.82	

* EBITDA before acquisition related costs is calculated as the sum of net income, plus net interest expense, income tax expense, depreciation expense, amortization expense, and acquisition related costs, to the extent deducted in calculating net income. See Item 6, Note (6).

** Cash flow per share includes the benefit of 15 year goodwill amortization for tax purposes versus 25 to 40 year goodwill amortization for book purposes and excludes acquisition related costs.

Revenues. Our revenues increased $66.1 million or 99.2%, to $132.8 million during the year ended December 31, 1999 from $66.7 million during the year ended December 31,1998 as we completed the acquisition of the medical waste business from the BFI acquisition and continued to focus on sales to higher-margin small account customers while simultaneously paring specified higher-revenue but lower-margin accounts with large account customers. Revenues generated from the sale of machinery internationally were $5.9 million during the year ended December 31, 1999 as compared to $6.0 million during 1998. During 1999, acquisitions contributed approximately $61.5 million to the increase in our revenues from 1998. For the year, internal growth for small account customers increased approximately 15.8% while revenues from large account customers decreased by approximately 1.3%.

Cost of revenues. Our cost of revenues increased $40.8 million, or 90.0%, to $86.1 million during the year ended December 31, 1999, from $45.3 million during the year ended December 31, 1998. The increase was primarily due to the completion of the BFI acquisition and the substantial increase in revenues during 1999 compared to 1998 and to the cost of equipment sold internationally. Our gross margin percentage increased to 35.2% during 1999, from 32% during 1998, as a result of the further integration of new acquisitions into our existing infrastructure, lower costs relating to the changing mix of small account versus large account customers and increased utilization of treatment capacity.

Selling, general and administrative expenses. Our selling, general and administrative expenses increased to $26.5 million during the year ended December 31, 1999, from $14.9 million during the year ended December 31,1998. This increase was largely the result of increases in selling and marketing expenses and goodwill amortization as a result of our acquisitions, expansion of our sales network, and increased administrative expenses related to the higher volume. Selling, general and administrative expenses as a percentage of revenues decreased to 19.9% during 1999 from 22.4% during 1998. Excluding amortization, selling, general and administrative expenses as a percent of revenues decreased to 16.7% during 1999 from 20.1% during 1998.

Acquisition related costs. During the fourth quarter of 1999, we incurred integration and other non-recurring acquisition costs of $8.0 million related to the BFI acquisition. These costs included severance and facility closure costs, other non-recurring acquisition related costs, and transition related expenses.

EBITDA. Earnings before interest, income taxes, depreciation and amortization ("EBITDA") before the acquisition related charges increased by 192.6% to $30.7 million, or 23.1% of revenues for the year ended December 31, 1999 as compared to $10.5 million, or

15.7% of revenues for the year ended December 31, 1998. The increase in EBITDA is primarily due to the factors described above.

Interest expense and interest income. Interest expense increased to $6.2 million during the year ended December 31, 1999, from $.8 million during the year ended December 31, 1998, primarily due to increased borrowings for the BFI acquisition. Interest income also increased to $1.1 million during 1999, from $.7 million during 1998, primarily due to interest income on the investment of excess funds from the secondary offering of public stock that we completed in February 1999.

Other Income and Expense. During the year ended December 31, 1999, a one-time gain of $.8 million on the sale of routes by 3CI Complete Compliance Corporation, of which our wholly-owned subsidiary, Waste Systems, Inc. is a majority shareholder, was partially offset by a one-time cash expense of $.2 million for warrants issued with bridge loan borrowings in December 1998 and January 1999.

Income tax expense. Income tax expense for the year ended December 31, 1999 reflects a one time tax benefit of $6.3 million recorded in compliance with FASB 109. Under FASB 109, we are required to recognize our net deferred tax assets if we believe that we are more likely than not to benefit from our carryforward losses and tax credits in future years.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2000, our working capital was $47.9 million compared to working capital of $26.9 million at December 31, 1999. The increase in working capital was primarily due to a higher accounts receivable balance as a result of the BFI acquisition.

Net cash provided by operating activities was $10.2 million during the year ended December 31, 2000 compared to $11.8 million for the year ended December 31, 1999. This decrease primarily reflects higher accounts receivable balances offset by higher depreciation and amortization expense and a decrease in our deferred tax asset.

Net cash used in investing activities for the year ended December 31, 2000 was $15.7 million compared to $425.6 million for the year ended December 31, 1999. The change is primarily attributable to the decrease in cash used for funding acquisitions and international investments completed in 2000. Capital expenditures were $11.6 million for 2000 compared to $3.8 million for 1999. Payments for acquisitions and international investments amounted to $4.6 million during 2000.

In order to finance the BFI acquisition in 1999, we conducted a series of financings. As a result we are a substantially leveraged company. We also recorded a substantial increase in goodwill and other intangible assets in connection with the BFI acquisition, and we have experienced a corresponding large increase in amortization expense.

We have a credit agreement with a group of lenders that provides for an aggregate of up to $260 million in senior secured financing comprised of (i) a six-year term loan A amortizing facility of $70 million, (ii) a seven-year term loan B amortizing facility of $140 million, and (iii) a $50 million revolving loan facility. As of December 31, 2000 we had drawn $5.0 million on the revolving loan facility. Payments of $14.5 million were made on the term loans during 2000.

In addition, we have outstanding 12-3/8% Series A Senior Subordinated Notes due 2009 in the aggregate principal amount of $125 million.

Pursuant to a Series A Convertible Preferred Stock Purchase Agreement, on November 12, 1999 we issued and sold to investment funds associated with Bain Capital and Madison Dearborn Partners, a total of 75,000 shares of our convertible preferred stock for $1,000 per share, or an aggregate of $75 million, in cash, less fees of $6.1 million. Dividends on the convertible preferred stock are payable in kind in additional shares and accrue at the annual rate of 3.375%, subject to adjustment.

Net cash used in financing activities was $11.2 million during the year ended December 31, 2000 compared to net cash provided by financing activities of $431.9 million for the year ended December 31,1999. The difference between the two periods results primarily from the completion of the financings in 1999 previously described and of our second public offering of common stock in February 1999, which raised $47.2 million net of offering costs.

Our other financial obligations include industrial development revenue bonds issued on behalf of and guaranteed by us to finance our Woonsocket, Rhode Island treatment facility and equipment. These bonds, which had an outstanding aggregate balance of $1.0 million as of December 31, 2000 at fixed interest rates ranging from 6.5% to 7.375% are due in various amounts through June 2017. In addition, we have issued various promissory notes in connection with acquisitions during 1997, 1998 and 2000, consisting primarily of a 10-year note issued as a part of the Environmental Control Corporation, Inc. ("ECCO") acquisition, which has an outstanding balance of $1.6 million at December 31, 2000.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activity." SFAS No. 133 provides comprehensive and consistent standards for the recognition and measurement of derivative and hedging activities. It requires that derivatives be recorded on the consolidated balance sheets at fair value and establishes criteria for hedges of changes in fair value of assets, liabilities or firm commitments, hedges of variable cash flows of forecasted transactions and hedges of foreign currency exposures of net investments in foreign operations. Changes in the fair value of derivatives that do not meet the criteria for hedges would be recognized in the consolidated statement of earnings. This statement was effective for us beginning January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on us.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to interest rate risk on our senior credit facility, which is variable rate debt. A 1% change in the interest rate would result in a change in our interest expense of approximately $2.1 million. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation-Liquidity and Capital Resources."

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Stericycle, Inc.

We have audited the accompanying consolidated balance sheets of Stericycle, Inc. and Subsidiaries as of December 31, 1999 and 2000, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Items 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Stericycle, Inc. and Subsidiaries at December 31, 1999 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2001

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except for share and per share data)

	December 31, 1999	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 19,344	$ 2,666
Short-term investments	285	281
Accounts receivable, less allowance for doubtful accounts of $980 in 1999 and $3,625 in 2000	48,284	71,225
Parts and supplies	2,035	3,216
Prepaid expenses	863	1,858
Other	6,729	11,765
Total current assets	77,540	91,011
Property, plant and equipment:		
Land	7,308	7,486
Buildings and improvements	29,123	26,565
Machinery and equipment	50,011	54,040
Office equipment and furniture	5,182	6,515
Construction in progress	386	3,834
	92,010	98,440
Less accumulated depreciation	(16,898)	(24,532)
Property, plant and equipment, net	75,112	73,908
Other assets:		
Goodwill, less accumulated amortization of $7,974 in 1999 and $24,507 in 2000	421,001	418,790
Other	22,133	14,273
Total other assets	443,134	433,063
Total assets	$ 595,786	$ 597,982
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long term debt	$ 5,741	$ 5,097
Accounts payable	14,347	14,444
Due to seller	3,576	1,631
Accrued compensation	7,569	3,887
Accrued acquisition related expenses	7,101	3,766
Accrued liabilities	12,206	13,783
Deferred revenue	142	505
Total current liabilities	50,682	43,113
Long-term debt, net of current portion	355,444	345,104
Other liabilities	2,351	3,628
Redeemable preferred stock:		
Series A convertible preferred stock (par value $.01 per share, 75,000 shares authorized and outstanding in 1999 and 2000, liquidation preference of $75,340 at December 31, 1999 and $77,883 at December 31, 2000	69,195	71,437
Common shareholders' equity:		
Common stock (par value $.01 per share, 30,000,000 shares authorized, 14,665,106 issued and outstanding in 1999, 15,208,866 issued and outstanding in 2000)	147	152
Additional paid-in capital-common stock	136,691	141,304
Accumulated deficit	(18,724)	(6,756)
Total shareholders' equity	118,114	134,700
Total liabilities and shareholders' equity	$ 595,786	$ 597,982

The accompanying notes are an integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Year Ended December 31,		
	1998	1999	2000
Revenues	$ 66,681	$ 132,848	$ 323,722
Costs and expenses:			
Cost of revenues	45,328	86,123	196,345
Selling, general and administrative	14,929	26,480	59,457
Acquisition related costs	--	7,961	4,454
Total costs and expenses	60,257	120,564	260,256
Income from operations	6,424	12,284	63,466
Other income (expense)			
Interest income	713	1,144	558
Interest expense	(777)	(6,195)	(39,785)
Other income, net	1	565	(423)
Total other income (expense)	(63)	(4,486)	(39,650)
Income before income taxes	6,361	7,798	23,816
Income tax expense (benefit)	648	(6,170)	9,305
Net income	$ 5,713	$ 13,968	$ 14,511
Earnings per share - Basic	$ 0.54	$ 0.96	$ 0.80
Earnings per share - Diluted	$ 0.51	$ 0.92	$ 0.72
Weighted average number of common shares outstanding - Basic	10,647,086	14,240,084	14,879,103
Weighted average number of common shares outstanding - Diluted	11,263,528	15,241,778	20,092,844

The accompanying notes are an integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1998	1999	2000
OPERATING ACTIVITIES:			
Net income	$ 5,713	$ 13,968	$ 14,511
Adjustments to reconcile net income to net cash provided by operating activities:			
Issuance of warrants	--	192	160
Depreciation and amortization	4,064	9,879	23,469
Deferred income taxes	--	(7,119)	--
Change in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(1,884)	(31,595)	(21,979)
Parts and supplies	(420)	526	(881)
Prepaid expenses	58	320	(1,085)
Other assets	302	(1,759)	(1,737)
Accounts payable	1,781	7,845	66
Due to seller	--	3,576	(1,353)
Tax benefit of disqualifying dispositions of stock options	--	--	1,059
Accrued liabilities	(6,223)	17,980	(2,124)
Deferred revenue	1,471	(2,036)	363
Net cash provided by operating activities	4,862	11,777	10,469
INVESTING ACTIVITIES:			
Payments for acquisitions and international investments, net of cash acquired	(19,775)	(422,280)	(4,516)
Proceeds from sale of property	405	--	--
Proceeds from maturity of short-term investments	--	447	502
Purchases of short-term investments	(41)	--	--
Capital expenditures	(4,342)	(3,795)	(11,586)
Net cash used in investing activities	(23,753)	(425,628)	(15,600)
FINANCING ACTIVITIES:			
Net proceeds and repayment from bank lines of credit	16,386	(16,359)	5,000
Net proceeds and repayment from subordinated debt	2,750	(2,750)	--
Proceeds from long term bank debt	--	225,000	--
Proceeds from senior subordinated debt	--	125,000	--
Repayment of long term debt	(3,189)	(4,366)	(16,428)
Payments of deferred financing costs	(218)	(10,828)	(631)
Principal payments on capital lease obligations	(1,273)	(290)	(1,487)
Net proceeds from secondary public offering of common stock	--	47,158	--
Net proceeds from (payments related to) issuance of preferred stock	--	68,855	(300)
Proceeds from other issuances of common stock	344	492	2,299
Net cash provided by (used in) financing activities	14,800	431,912	(11,547)
Net increase (decrease) in cash and cash equivalents	(4,091)	18,061	(16,678)
Cash and cash equivalents at beginning of period	5,374	1,283	19,344
Cash and cash equivalents at end of period	$ 1,283	$ 19,344	$ 2,666
Non-cash activities:			
Net issuances of notes payable for certain acquisitions	$ 195	$ 103	$ 250
Net issuances of common stock and warrants for certain acquisitions	$ 2,568	$ 3,043	$ 1,260

The accompanying notes are an integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 1998, 1999 and 2000
(in thousands)

	Issued and Outstanding Shares	Amount	Additional Paid-in Capital	Notes Receivable for Common Stock Purchases
Balances at December 31, 1997	10,473	$ 105	$ 82,986	$ (4)
Issuance of common stock for exercise of options and warrants and employee stock purchase	226	2	342	--
Common stock issued for acquisitions	167	2	2,566	--
Principal payments under note receivable	--	--	--	4
Net income	--	--	--	--
Balances at December 31, 1998	10,866	109	85,894	--
Issuance of common stock for exercise of options and warrants and employee stock purchases	148	1	633	--
Common stock issued for acquisitions	220	2	3,041	--
Secondary public offering of common stock (net of offering costs)	3,500	35	47,123	--
Preferred dividends	--	--	--	--
Net income	--	--	--	--
Balances at December 31, 1999	14,734	147	136,691	--
Issuance of common stock for exercise of options and warrants and employee stock purchases	449	5	2,294	--
Common stock and warrants issued for acquisitions	26	--	1,260	--
Tax benefit of disqualifying dispositions of stock options	--	--	1,059	--
Preferred dividends	--	--	--	--
Net income	--	--	--	--
Balances at December 31, 2000	15,209	$ 152	$ 141,304	$ --

	Accumulated Deficit	Total Shareholders' Equity
Balances at December 31, 1997	(38,061)	45,026
Issuance of common stock for exercise of options and warrants and employee stock purchase	--	344
Common stock issued for acquisitions	--	2,568
Principal payments under note receivable	(4)	--
Net income	5,713	5,713
Balances at December 31, 1998	(32,352)	53,651
Issuance of common stock for exercise of options and warrants and employee stock purchases	--	634
Common stock issued for acquisitions	--	3,043
Secondary public offering of common stock (net of offering costs)	--	47,158
Preferred dividends	(340)	(340)
Net income	13,968	13,968
Balances at December 31, 1999	(18,724)	118,114
Issuance of common stock for exercise of options and warrants and employee stock purchases	--	2,299
Common stock and warrants issued for acquisitions	--	1,260
Tax benefit of disqualifying dispositions of stock options	--	1,059
Preferred dividends	(2,543)	(2,543)
Net income	14,511	14,511
Balances at December 31, 2000	$ (6,756)	$ 134,700

The accompanying notes are an integral part of these financial statements.

STERICYCLE, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2000

Unless the context requires otherwise, "we," "us" or "our" refers to Stericycle, Inc. and its subsidiaries on a consolidated basis.

Note 1-DESCRIPTION OF BUSINESS

We provide regulated medical waste collection, transportation, and treatment services to our customers and related training, education and compliance programs and consulting services. We also sell ancillary supplies and transport pharmaceuticals, photographic chemicals, lead foil and amalgam for recycling in selected geographic service areas. We are also expanding into international markets through joint ventures and by licensing our proprietary technology and selling associated equipment.

Note 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include the accounts of Stericycle, Inc. and its wholly-owned subsidiaries, Stericycle of Arkansas, Inc., Stericycle of Washington, SWD Acquisitions Corporation, Environmental Control Co., Inc. ("ECCO"), Waste Systems, Inc. ("WSI") (the majority shareholder of 3CI Complete Compliance Corporation), Med Tech Environmental Ltd. ("Med-Tech"), BFI Medical Waste, Inc. ("BFI"), BFI Medical Waste, Inc. (Puerto Rico) as well as our 64% ownership in Medam (a Mexican company). All significant intercompany accounts and transactions have been eliminated. In addition, we have a 33% ownership in Medam B.A. Srl (an Argentine company) and a 26.5% ownership in Medical Waste Specialists (PTY) Ltd. (a South African company) which are both accounted for using the Equity method.

Revenue Recognition:

We recognize revenue at the time of medical waste collection. Revenue and costs on contracts to supply our proprietary treatment equipment are accounted for by the percentage of completion method, whereby income is recognized based on the estimated stage of completion of the individual contract.

Cash Equivalents and Short-Term Investments:

We consider all highly liquid investments with a maturity of less than three months when purchased to be cash equivalents. Short-term investments consist of highly liquid investments in corporate debt obligations which mature in less than one year and are classified as held-to-maturity. These obligations are stated at amortized cost, which approximates fair market value. Interest income is recognized as earned.

Property, Plant and Equipment:

Property, plant and equipment are stated at cost. Depreciation and amortization, which include the depreciation of assets recorded under capital leases, are computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and Improvement-------10 to 30 years

Machinery and Equipment----------3 to 10 years

Office Equipment and Furniture---5 to 10 years

Software--------------------------3 to 7 years

Goodwill:

Goodwill is amortized using straight-line method over 25 years except for the goodwill related to our acquisition of the medical waste business of Browning-Ferris Industries, Inc. (the "BFI acquisition"), which is being amortized over 40 years. Amortization expense for 1998, 1999 and 2000 related to goodwill was approximately $1.5 million, $4.3 million and $13.8 million respectively. We continually evaluate the value and future benefits of our goodwill. We assess recoverability from future operations using cash flows of the related acquired business as a measure. Under this approach, the carrying value of goodwill would be reduced if it becomes probable that our best estimate for expected undiscounted future cash flows of the related business would be less than the carrying amount of goodwill over its remaining amortization period. For the three-year period ended December 31, 2000, there were no adjustments to the carrying amounts of goodwill resulting from these evaluations.

New Plant Development and Permitting Costs:

We expense costs associated with the operation of new plants prior to the commencement of services to customers and all initial and most on-going costs related to permitting.

Income Taxes:

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

Financial Instruments:

Our financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable and payable and long-term debt. The fair values of these financial instruments were not materially different from their carrying values. financial instruments which potentially subject us to concentrations of credit risk consist principally of accounts receivable. Credit risk on trade receivables is minimized as a result of the large size of our customer base. No single customer represents greater than 1% of total accounts receivable. We perform ongoing credit evaluation of our customers and maintain allowances for potential credit losses. These losses, when incurred, have been within the range of our expectations.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Derivative Reporting:

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activity." SFAS No. 133 provides comprehensive and consistent standards for the recognition and measurement of derivative and hedging activities. It requires that derivatives be recorded on the consolidated balance sheets at fair value and establishes criteria for hedges of changes in fair value of assets, liabilities or firm commitments, hedges of variable cash flows of forecasted transactions and hedges of foreign currency exposures of net investments in foreign operations. Changes in the fair value of derivatives that do not meet the criteria for hedges would be recognized in the consolidated statement of operations. This statement was effective for us beginning January 1, 2001. The adoption of SFAS No. 133 did not have a material impact on us.

Segment Reporting:

Effective January 1, 1998, we adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"). FAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related enterprise-wide disclosures about products and services, geographic areas, and major customers. The adoption of FAS 131 did not affect our results of operations or financial position, but did affect our disclosures. Our operating segments (Stericycle, Inc., BFI, WSI and Med Tech) have similar economic characteristics and are similar in the nature of their products and services, treatment processes, types of customers, methods of distribution of services, and nature of their regulatory environments. Based on this conclusion, we have not presented segment disclosure information. We have provided our enterprise-wide disclosures in Note 15.

Note 3-INCOME TAXES

At December 31, 2000, we had net operating loss carryforwards for federal income tax purposes of approximately $9.4 million (excluding 3CI and Med-Tech), which expire beginning in 2006. Based on the Internal Revenue Code of 1986, as amended, and changes in our ownership, utilization of the net operating loss carryforwards is subject to annual limitations which could significantly restrict or partially eliminate the utilization of the net operating losses. Additionally, we have an alternative minimum tax credit carryforward of $.3 million available indefinitely as well as a foreign tax credit of approximately $2.2 million which will begin to expire beginning in 2004.

Significant components of our income tax expense (benefit) for the years ended December 31, 1998, 1999 and 2000 are as follows:

	1998	1999	2000
Deferred			
Federal	$ --	($6,015,000)	$ 4,450,000
State	--	(1,104,000)	530,000
	--	(7,119,000)	4,980,000
Current			
Federal	$ 243,000	$ 100,000	3,165,000
State	405,000	849,000	1,160,000
Total Provisions	$ 648,000	($6,170,000)	$ 9,305,000

A reconciliation of the income tax provision computed at the federal statutory rate to the effective tax rate for the years ended December 31, 1998, 1999 and 2000 is as follows:

	1998	1999	2000
Federal statutory income tax rate	34.0%	34.0%	35.0%
Effect of:			
State taxes, net of federal tax effect	4.0%	7.6	5.0%
Alternative minimum taxes	3.8%	--	--
Non deductible goodwill amortization	1.8%	3.9%	0.4%
Change in valuation allowance	(33.4%)	(126.9%)	(1.2%)
Other	--	2.3%	(0.1%)
Effective tax rate	10.2%	(79.1%)	39.1%

Paid income taxes were $1,030,000, $2,014,000 and $1,966,000 in 1998, 1999 and 2000, respectively.

Our deferred tax liabilities and assets as of December 31, 1999 and 2000 are as follows:

	1999	2000
Deferred tax liabilities:		
Capital lease obligations		
Property, plant, and equipment	$ (2,511,000)	$ (3,085,000)
Goodwill	(4,014,000)	(6,861,000)
Other	(201,000)	(2,127,000)
Total deferred tax liabilities	(6,726,000)	(12,073,000)
Deferred tax assets:		
Accrued liabilities	2,561,000	3,807,000
Other	1,538,000	2,291,000
Net operating tax loss carryforward	19,095,000	16,378,000
Alternate minimum tax credit carryforward	238,000	324,000
Total deferred tax assets	23,432,000	22,800,000
Net deferred tax assets	16,706,000	10,727,000
Valuation allowance	(9,587,000)	(8,588,000)
Net deferred tax assets	$ 7,119,000	$ 2,139,000

During the fourth quarter of 1999, we re-evaluated the estimated amount of valuation allowance required in light of the profitability achieved in 1997, 1998 and 1999 as well as the improved profitability expected in future years as a result of the BFI acquisition in November 1999. As a result, we reduced the valuation allowance on deferred tax assets in accordance with SFAS No. 109, "Accounting for Income Taxes", to an amount that we believe is more likely than not of being recovered. Accordingly, an income tax benefit of approximately $6.3 million was reflected in the fourth quarter. The amount of net deferred tax assets estimated to be recoverable was based upon our assessment of the likelihood of near term operating income coupled with uncertainties with respect to the impact of future market conditions. At December 31, 1999 and 2000, the valuation allowance relates principally to the net operating loss carryforward at 3CI.

Note 4-ACQUISITIONS

During the year ended December 31, 2000, we purchased customer lists and selected other assets of seven medical waste management businesses. The aggregate purchase price for these acquisitions was approximately $3.2 million, of which $2.4 million was paid in cash, $.5 million was paid by the issuance of unregistered shares of our common stock, and $.3 million was paid by the issuance of promissory notes. In certain cases, the purchase price is subject to downwards adjustment if revenues from customer contracts acquired do not reach certain specified levels.

On July 1, 2000 we increased our ownership in our Mexico joint venture, Medam S.A. de C.V. ("Medam"), to 64% from 49% by purchasing an additional 15% interest from our co-venturer. We paid the purchase price of $1.6 million by combination of cash installment payments and warrants to purchase common stock. The increase in ownership changes our accounting method for the joint venture from the equity to the consolidation method beginning July 1, 2000.

In November 1999, we completed the acquisition from Allied Waste Industries, Inc. ("Allied") of the medical waste business of Browning-Ferris Industries, Inc. ("BFI") in the United States, Canada and Puerto Rico. Prior to our acquisition, BFI had been the largest provider of regulated medical waste services in the United States, with revenues of $201.7 million for the 12 months ended June 30, 1999. The purchase price for our acquisition was $410.5 million in cash. We paid the purchase price from the following sources, in addition to cash on hand: (i) $225.0 million in borrowings under the term loan facilities of a new senior credit facility that we established with DLJ Capital Funding, Inc., Bankers Trust Company and Bank of America, N.A.; (ii) $125.0 million in proceeds from the sale of 12-3/8% senior subordinated notes due 2009; and (iii) $75.0 million in proceeds from the issuance of new Series A Convertible Preferred Stock to investment funds affiliated with Bain Capital, Inc. and Madison Dearborn Partners, LLC. These transactions were completed concurrently with the completion of our acquisition of the BFI medical waste business. See Note 5-- Long Term Debt-Senior Credit Facility and - Senior Subordinated Notes and Note 10 - Series A Preferred Stock.

In addition, during the year ended December 31, 1999, we purchased the customer lists and selected other assets of 13 medical waste management businesses. The aggregate purchase price for these acquisitions was approximately $8.2 million, of which $6.5 million was paid in cash, $1.6 million was paid by the issuance of unregistered shares of our common stock, and $.1 million was paid by the issuance of promissory notes. In addition, we assumed certain liabilities of the sellers aggregating approximately $.1 million. In certain cases, the purchase price is subject to downwards adjustment if revenues from customer contracts acquired do not reach certain specified levels.

In December 1998 and January 1999, we acquired all of the outstanding stock and warrants of Med-Tech Environmental Ltd. ("Med-Tech"). Med-Tech, which is located in Toronto, Canada, provides medical waste management services in Canada and the northeastern United States. We paid a total of approximately $3.1 million in cash for the Med-Tech shares and warrants that we acquired. In October 1998, we purchased Med-Tech's junior secured indebtedness of approximately $3.6 million, paying the face value of the acquired debt, in the form of $2.9 million in cash and 36,940 shares of Common Stock, and replacing a letter of credit of approximately $1.6 million (which was returned in January 1999).

In October 1998, we acquired all the outstanding capital stock of Waste Systems, Inc. ("WSI"). The purchase price was $10 million in cash and the grant of certain exclusive negotiation and first refusal rights to the sellers in respect of the purchase, for installation and operation in the Federal Republic of Germany, of medical waste treatment units incorporating our proprietary ETD technology. WSI owns approximately 55.5% of the common stock and all of the preferred stock of 3CI Complete Compliance Corporation ("3CI"), which provides regulated medical waste management services in the southeastern United States. 3CI's common stock is traded over-the-counter under the symbol "TCCC". WSI also owns a secured promissory note from 3CI which, as amended in December, 1998, is payable to WSI in the principal amount of approximately $5.6 million on or before March 31, 2001.

In addition, during 1998, we acquired customer contracts and certain assets of 10 regulated medical waste businesses. The purchase price for these six acquisitions was paid in the form of cash, issuance of our common stock, assumption of liabilities, and in two cases delivery of notes payable in 1998.

For financial reporting purposes these acquisition transactions were accounted for using the purchase method of accounting. The total purchase price for 1998, 1999 and 2000 of $22.5 million, $424.4 million and $3.1 million respectively, net of cash acquired, was allocated to assets acquired and liabilities assumed based on the estimated fair market value at the date of acquisition. The total purchase price of 1998, 1999, and 2000 acquisitions includes the value of 167,000, 220,058 and 26,000 shares respectively, of our common stock issued to the sellers. The excess of the purchase price over the fair market value of the net assets acquired is reflected in the accompanying Consolidated Balance Sheets as goodwill. The results of operations of these acquired businesses are included in the Consolidated Statement of Operations from the date of the acquisition. The effect of these acquisitions would not have a significant effect on our operations, except for the BFI, Med Tech, and Waste Systems acquisitions.

The following unaudited pro forma results of the operations assumes that the BFI acquisition occurred as of January 1, 1999 after giving effect to certain adjustments including amortization of goodwill, increased interest expense on debt incurred in connection with the acquisitions and adjustments to record incremental recurring costs associated with the consolidation of the operations as the historical results of operations of BFI did not reflect these costs:

	Year ended December 31, 1999 (in thousands, except per share data)
Pro forma revenues	$304,386
Pro forma net income*	20,277
Pro forma diluted net income per share*	1.07

* includes a tax benefit of $6.3 million in 1999

The pro forma financial information does not purport to be indicative of the results of operations that would have occurred had the transactions taken place at the beginning of the period indicated or of future results of operations.

Note 5--LONG TERM DEBT

Long term debt consists of the following at December 31:

	1999	2000
	(in thousands)	
Industrial development revenue bonds	$ 1,145	$ 990
Obligations under capital leases	6,140	4,749
Notes Payable to Bank	225,000	215,456
Senior Subordinated Debt	125,000	125,000
Notes Payable	3,900	4,006
	361,185	350,201
Less: Current Portion	5,741	5,097
Total	$355,444	$345,104

In connection with our May 1997 purchase of ECCO's stock, a 10-year note for $2,300,000 was issued to the owners of ECCO. The note is payable in 10 equal annual installments due on May 1 of each year starting in 1998. The note bears interest at the rate of 6.86% per annum.

During 1992, we entered into an obligation to finance the development of its Woonsocket, Rhode Island facility. The development and purchase of substantially all of the property and equipment for the facility was financed from the issuance of industrial development revenue bonds. The bonds are due in various amounts through 2017 at fixed interest rates ranging from 6.5% to 7.375% and are collateralized by the property and equipment at the facility. The terms of an agreement entered into in connection with the issuance of the bonds contain, among other provisions, requirements for maintaining defined levels of working capital and various financial ratios including debt to net worth.

Payments due on long-term debt excluding capital lease obligations, during each of the five years subsequent to December 31, 2000 are as follows:

	(in thousands)
2001	$ 4,143
2002	15,588
2003	17,283
2004	19,148
2005	23,685
Thereafter	265,605

The company paid interest of $.7 million, $2.2 million and $37.9 million for the fiscal years ended December 31, 1998, 1999 and 2000, respectively.

At December 31, 2000 property under capital leases included with property, plant and equipment in the accompanying Consolidated Balance Sheet is as follows:

	(in thousands)
Machinery and Equipment	$ 43
Vehicles	5,741
Less--accumulated depreciation and amortization	(1,350)
	$ 4,435

Minimum future lease payments under capital leases are as follows:

	(in thousands)
2001	$1,334
2002	1,288
2003	1,041
2004	844
2005	711
Thereafter	691
Total minimum lease payments	5,909
Less amounts representing interest	(1,160)
Present value of net minimum lease payments	4,749
Less Current portion	954
Long-term obligations under capital leases	$3,795

Senior Credit Facility

In November 1999, we established a term loan and revolving credit facility under a credit agreement with various financial institutions. The facility consists of (i) a six-year revolving credit facility of up to $50.0 million, (ii) a six-year term loan A in the principal amount of up to $75.0 million and (iii) a seven-year term loan B in the principal amount of up to $150.0 million. The Company borrowed the full amount available under term loan A and term loan B principally to finance a portion of the purchase price of our acquisition of BFI. As of December 31, 2000, we have made $5.0 million in payments on the term loan A and $9.5 million in payments on the term loan B. In addition, we had $5.0 million outstanding under the revolving credit facility.

Repayment. Term loan A matures in quarterly installments, resulting in aggregate annual amortization payments as a percentage of the initial principal amount as follows:

Year	Annual Amortization (in percentage of the Initial principal amount)
2000	2.5%
2001	7.5%
2002	12.5%
2003	22.5%
2004	25.0%
2005	30.0%

Term loan B matures in quarterly installments, resulting in aggregate annual amortization payments as a percentage of the initial principal amount as follows:

Year	Annual Amortization (in percentage of the initial principal amount)
2000-2005	1.0%
2006	94.0%

Guarantees and Security. Our credit facility is secured by a first-priority perfected lien (subject to customary exceptions) on: (i) substantially all of our property and assets and substantially all of the property and assets of our subsidiaries, other than certain unrestricted subsidiaries and foreign subsidiaries, (ii) all of the capital stock or similar equity interests of all of our direct and indirect subsidiaries with the exception that no more than 65% of the capital stock or similar equity interests of our foreign subsidiaries which is directly held by us or by a domestic subsidiary has been pledged, and no capital stock of our foreign subsidiaries which are held by a foreign subsidiary has been pledged, and (iii) all intercompany notes other than intercompany notes held by the Company's foreign subsidiaries.

The credit facility is guaranteed on a senior secured basis by entities customary for transactions of this nature, including all of our direct and indirect domestic subsidiaries (other than any unrestricted subsidiaries).

Interest. At our option, the interest rates per annum applicable to the revolving credit facility, term loan A and term loan B are fluctuating rates of interest determined by reference to (a) the London Interbank Offered Rate ("LIBOR") plus the applicable margin, or (b) a base rate which is the greater of the prime rate and the rate which is 1/2 of 1% in excess of the rates on overnight federal funds transactions as published by the Federal Reserve Bank of New York, plus the applicable margin. The applicable margin is determined on the basis of our total leverage ratio. At December 31, 2000, the range on the rate of interest on term loan A was 8.95%-9.25% per annum, and the range on the rate of interest on term loan B was 9.95%-12.00% per annum.

Prepayments. We are permitted at any time voluntarily to prepay the obligations under the term loans and to reduce the amount committed under the revolving credit facility without any penalty or premium. we are required to prepay the term loans with: (i) 100% of the net proceeds of specified asset sales, proceeds from condemnation and the like, and proceeds from loss or casualty, subject to customary exceptions for repairs and replacements; (ii) 100% of the net proceeds from the sale or issuance of debt securities; (iii) 50% of the net proceeds from the issuance of equity securities, subject to customary adjustments to be mutually determined; (iv) 75% of excess cash flow, subject to customary adjustments to be mutually determined; and (v) 100% of payments by or on behalf of Allied in respect of any purchase price adjustments in connection with the BFI acquisition. Prepayments will be applied pro rata to term loan A and term loan B and will be applied to scheduled installments on each loan on a pro rata basis (with the exception that the lenders with respect to term loan B can decline to be prepaid). At December 31, 2000, we had prepaid the term loan A by $3.1 million and had prepaid the term loan B by $8.0 million.

Covenants; Events of Default. The credit facility contains covenants restricting our ability and the ability of any of our subsidiaries to, among other things: incur debt; subject our assets to liens; make investments; incur contingent liabilities; pay dividends; merge or sell assets; make capital expenditures; enter into sale/lease-back transactions; enter into new businesses; discount receivables; and enter into affiliate transactions. In addition, the credit facility requires us to meet financial performance tests, including a maximum leverage ratio and a minimum cash interest coverage ratio and, as we elect, either a minimum fixed charge coverage ratio or minimum EBITDA (earnings before income taxes, depreciation and amortization).

The credit facility contains conditions under which an event of default under the credit facility will exist, including: failure to make payments when due under the credit facility; defaults in other agreements; breach of covenants; material misrepresentations; involuntary or voluntary bankruptcy; judgments or attachments against us; dissolution; and changes in control.

Senior Subordinated Notes

In November 1999, we issued 12-3/8% Series A Senior Subordinated Notes due 2009 in the aggregate principal amount of $125.0 million. In connection with the issuance of the Series A notes to the initial purchasers, we agreed to make an offer to holders of the Series A notes to exchange their notes for substantially identical Series B notes registered under the Securities Act. This exchange offer was completed in January 2000, with holders of all the Series A notes exchanging their notes for new, registered 12-3/8% Series B notes. We used the net proceeds from the sale of the notes to finance a portion of the purchase price of our acquisition of BFI.

The notes are general unsecured obligations of ours, and are subordinated in right of payment to our debt under our senior credit facility.

The notes will mature on November 15, 2009. Interest on the notes accrues at the rate of 12-3/8% per annum and is payable semiannually on May 15 and November 15, beginning on May 15, 2000.

Subsidiary Guarantees. The notes are guaranteed by all of our subsidiaries except our foreign subsidiaries and 3CI. All of our subsidiaries are restricted subsidiaries for purposes of the trust indenture pursuant to which the notes were issued. Under certain circumstances, we may designate one or more subsidiaries as an unrestricted subsidiary. An unrestricted subsidiary is not subject to many of the restrictive covenants in the trust indenture and, if it has previously been a guarantor of the notes, is released from its guarantee.

Redemption at Our Option. Prior to November 15, 2002, we may elect to redeem, from the net proceeds of one or more equity offerings, up to 35% of the initial aggregate principal amount of the notes at a redemption price of 112.375% of the principal amount redeemed, plus accrued interest to the redemption date. Except for any such permitted redemptions, we may not otherwise redeem the notes prior to November 15, 2004. After this date, we may elect to redeem all or any part of the notes at a redemption price (expressed as a percentage of the principal amount redeemed) during the 12-month period beginning on November 15 of the year indicated, plus accrued interest to the redemption date, as follows:

Year	Percentage
2004........................	106.1875%
2005........................	104.1250%
2006........................	102.0625%
2007 and thereafter.........	100.0000%

Under the trust indenture, we are permitted to acquire the notes by means other than a redemption, for example, pursuant to a tender offer or by purchases in the open market, if the acquisition does not otherwise violate the terms of the indenture. The agreements governing our senior credit facility, however, currently prohibit us from purchasing any notes.

Redemption at Holder's Option. At any time after a change of our control, each holder of the notes may require us to repurchase in cash all or any part of the holder's notes for 101% of their aggregate principal amount plus accrued interest to the date of repurchase. In addition, under certain circumstances, we are required to use a portion of the net proceeds from asset sales or the issuance of stock to offer to redeem the outstanding notes on a pro rata basis at a redemption price of 100% of the aggregate principal amount redeemed plus accrued interest to the redemption date. We are not otherwise required to make mandatory redemptions with respect to the notes.

Covenants; Events of Default. The trust indenture contains covenants restricting our ability and the ability of any of our subsidiaries to, among other things: incur debt (including debt junior to our senior debt but senior to the notes); subject our assets to liens; make investments; incur contingent liabilities; pay dividends; merge or sell assets; make capital expenditures; enter into sale/lease-back transactions; enter into new businesses; discount receivables; and enter into affiliate transactions.

The trust indenture contains conditions under which an event of default under the notes will exist, including: failure to make payments when due; breach of covenants in the indenture and notes; material misrepresentations; involuntary or voluntary bankruptcy; and judgments or attachments against us. acceleration of the notes following an event of default will not be effective until the acceleration of our debt our senior credit facility.

Note 6--LEASE COMMITMENTS

We lease various plant equipment, office furniture and equipment, motor vehicles and office and warehouse space under operating lease agreements which expire at various dates over the next eight years. The leases for most of the properties contain renewal provisions.

Rent expense for 1998, 1999, and 2000 was $3,508,000, $6,823,000 and $11,167,000 respectively.

Minimum future rental payments under non-cancelable operating leases that have initial or remaining terms in excess of one year as of December 31, 2000 for each of the next five years and in the aggregate are as follows:

	(in thousands)
2001	$ 8,020
2002	7,200
2003	6,283
2004	5,379
2005	4,359
Thereafter	3,039
Total minimum rental payments	$34,280

Note 7--ACQUISITION RELATED EXPENSES

During the year ended December 31, 2000 we recorded $4,454,000 of acquisition related expenses compared to $7,961,000 in the year ended December 31, 1999. The closure of redundant offices and eliminating excess revenue producing assets resulted in costs being incurred for severance and closure expenses of $3,351,000. Transition related expenses of $1,103,000 were incurred as part of the transition.

The following table reflects the activity related to the 1999 and 2000 acquisition related costs (in thousands)

	Charges In 1999	Charges in 2000	Charges Expected In Future Periods
Severance and closure costs	$3,373	$3,351	--
Transition expenses	1,659	1,103	1,000
Other non-recurring acquisition related costs	2,929	--	--
Total	$7,961	$4,454	$1,000

In 1999 and 2000, we paid approximately $3,789,000 and $7,502,000 of these acquisition related expenses and, at December 31, 1999 and 2000, $4,172,000 and $1,124,000 was accrued.

Note 8-NET INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted net income per share:

	YEAR ENDED DECEMBER 31,		
	1998	1999	2000
	(in thousands, except share and per share data)		
Numerator:			
Net income	$ 5,713	$ 13,968	$ 14,511
Preferred stock dividends	--	(340)	(2,543)
Numerator for basic earnings per share ---- income available to common stockholders	$ 5,713	$ 13,628	$ 11,968
Effect of dilutive securities:			
Preferred stock dividends	--	340	2,543
Numerator for diluted earnings per share --- income available to common stockholders after assumed conversions	$ 5,713	$ 13,968	$ 14,511
Denominator:			
Denominator for basic earnings per share --- weighted-average shares	10,647,083	14,240,084	14,879,103
Effect of dilutive securities:			
Employee stock options	473,723	338,540	640,714
Warrants	142,722	86,482	195,328
Convertible preferred stock	--	576,672	4,377,699
Dilutive potential common shares	616,445	1,001,694	5,213,741
Denominator for diluted earnings per share --- adjusted weighted-average shares and assumed conversions	11,263,528	15,241,778	20,092,844
Basic net income per share	$ 0.54	$ 0.96	$ 0.80
Diluted net income per share	$ 0.51	$ 0.92	$ 0.72

For additional information regarding outstanding employee stock options and outstanding warrants, see Note 9.

In 1998, 1999 and 2000, options and warrants to purchase 67,615 shares, 458,363 shares and 41,471 shares respectively, at exercise prices of $15.50-$69.02, $12.75-$18.13, and $25.06-$42.47 respectively, were not included in the computation of diluted earnings per share because the effect would be antidilutive.

Note 9--STOCK OPTIONS AND WARRANTS

Stock Options

In 2000, our Board of Directors approved the 2000 Nonstatutory Stock Option Plan (the "2000 Plan"), which provides for the granting of 500,000 shares of our common stock in the form of stock options to employees, (but not to officers or directors). The exercise price of options granted under the 2000 Plan must be at least equal to the fair market value of the common stock on the date of the grant. All options granted to date have 10 year terms and vest over periods of up to five years after the date of grant.

In 1997, our Board of Directors and shareholders approved the 1997 Stock Option Plan (the "1997 Plan"), which provides for the granting of 1,500,000 shares of common stock in the form of stock options to selected officers, directors and employees of the Company and its subsidiaries. The exercise price of options granted under the 1997 Plan must be at least equal to the fair market value of the common stock on the date of grant. All options granted to date have 10-year terms and vest over periods of up to 5 years after the date of grant.

In 1995, our Board of Directors and shareholders approved an incentive compensation plan (the "1995 Plan"), which as amended and restated in 1996, provides for the granting of 1,500,000 shares of common stock in the form of stock options and restricted stock to employees, officers, directors and consultants. The exercise price of options granted under the 1995 Plan must be at least equal to the fair market value of the common stock on the date of grant. All options granted to date have 10-year terms and vest over periods of up to four years after the date of grant.

In June 1996, our Board of Directors adopted and in July, 1996, our shareholders approved, the Directors Stock Option Plan (the "Directors Plan"). The Directors Plan authorizes stock options for a total of 285,000 shares of common stock to be granted to our outside directors. Option grants are made by the Board of Directors at the times and in amounts that the Board determines, taking into account any guidelines that the Board may adopt for this purpose. The exercise price of options granted under the Directors Plan must be at least equal to the fair market value of the common stock on the date of grant. Options granted prior to April 1, 1998 vest in 16 consecutive quarterly installments; options granted after March 31, 1998 vest in 12 equal monthly installments.

Shares of the Company's common stock have been reserved for issuance upon the exercise of options and warrants. These shares have been reserved as follows at December 31, 2000

1995 Plan options	420,549
1996 Directors Plan options	285,000
1997 Plan options	1,170,009
2000 Plan options	500,000
Warrants	177,289
Total shares reserved	2,552,847

A summary of stock option information follows:

	1998		1999		2000	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	845,861	$ 4.98	945,970	$ 8.37	1,572,359	$ 11.22
Granted	360,238	$ 13.92	840,579	$ 12.91	583,106	$ 20.63
Exercised	(155,979)	$ 2.21	(146,419)	$ 2.36	(358,249)	$ 9.57
Cancelled/Forfeited	(104,150)	$ 8.89	(67,771)	$ 11.36	(156,258)	$ 13.97
Outstanding at end of year	945,970	$ 8.37	1,572,359	$ 11.22	1,640,958	$ 14.66
Exercisable at end of year	393,084	$ 5.37	448,948	$ 8.49	532,518	$ 11.46
Available for future grant	1,434,821		662,013		734,600	

Options outstanding and exercisable as of December 31, 2000 by price range:

Range of Exercise Price	Outstanding Shares	Outstanding Average Remaining Life In Years	Outstanding Weighted Average Exercise Price	Exercisable Shares	Exercisable Weighted Average Exercise Price
$0.53-$10.25	297,270	4.88	$ 7.36	228,456	$ 7.17
$10.81-$12.75	541,127	8.46	$12.73	98,821	12.65
$13.25-$18.125	310,215	6.59	$14.60	180,770	14.77
$20.25-$42.47	492,346	9.44	$21.22	24,471	22.33
	1,640,958	7.75	$14.66	532,518	$11.46

We have elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB25") and related interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of our employee stock options approximate the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and net income per share is required by FAS 123 as if we had accounted for our employee stock options granted subsequent to December 31, 1994 under the fair value method of that statement. Options granted in 1998, 1999 and 2000 were valued using the Black-Scholes option pricing model. Options granted in 1996 and 1995, as a non-public company, were valued using the minimum value method. The following assumptions were used in 1998, 1999 and 2000: expected volatility of 0.61 in 1998, 0.62 in 1999 and 0.61 in 2000; risk-free interest rates ranging from 4.5% to 4.8% in 1998, 4.83% to 6.73% in 1999, and 5.02% to 6.69% in 2000; a dividend yield of 0%; and a weighted-average expected life of the option of 72 months. The weighted-average fair values of options granted during 1998, 1999 and 2000 were $6.52 per share, $7.27 per share, and $10.18 per share respectively.

Option value models require the input of highly subjective assumptions. Because our employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing method does not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option vesting period. Our pro forma information follows (in thousands, except for per share information):

	Year Ended December 31,		
	1998	1999	2000
Pro forma net income	$4,485	$11,860	$10,585
Pro forma net income per share-diluted	$ 0.40	$ 0.78	$ 0.53

The pro forma effect in 1998, 1999, 2000 is not representative of the pro forma effect in future years as the pro forma disclosures reflect only the fair value of stock options granted subsequent to December 31, 1994.

Warrants:

In May 1996, in connection with a loan from certain shareholders, directors and officers, we issued warrants to purchase 226,036 shares of common stock at $7.96 per share. These warrants expire in May 2001. In 1998 and 2000, warrants to purchase 35,940 shares and 178,794 shares, respectively were exercised. At December 31, 2000, warrants to purchase 11,302 shares remained outstanding.

In connection with a subordinated loan agreement, six directors were granted five-year warrants to purchase shares of our Common Stock exercisable at any time after the first anniversary of the grant date in December 1998 and January 1999, the lenders were granted warrants to purchase, in the aggregate, 18,970 shares of Common Stock at $14.50 per share, 43,551 shares of Common Stock at $15.50 per share and 59,092 shares of Common Stock at $16.50 per share.

In June 2000, in connection with our acquisition of an additional 15% interest in Medam, we issued warrants to purchase 44,374 shares of our common stock. Of these warrants, warrants for 31,128 shares are immediately exercisable, while the remaining 13,246 shares become contingently exercisable over five years. The exercise price of the warrants is $17.50 per share.

Note 10-SERIES A PREFERRED STOCK

In November 1999, we issued and sold 75,000 shares of Series A Convertible Preferred Stock for $1,000 per share, or $75.0 million in the aggregate, in cash, less various fees and expenses. The company used the net proceeds from the sale to finance a portion of the purchase price of our BFI acquisition.

Dividends. The Series A Convertible Preferred Stock bears preferential dividends, payable in additional shares of Series A Convertible Preferred Stock, at the rate of 3.375% per annum from the date of issuance. Dividends accrue daily and accumulate annually on the anniversary date of the initial issuance. The Series A Convertible Preferred Stock is also entitled to share pro rata with holders of Common Stock, on the basis of the number of shares of Common Stock into which the Series A Convertible Preferred Stock is convertible, in all other dividends and distributions.

Liquidation. Upon any liquidation, dissolution or winding up of the Company, holders of Series A Convertible Preferred Stock are entitled to be paid, before any distribution or payment is made to holders of Common Stock, the greater of (i) the sum of $1,000 per share plus accumulated preferential dividends plus accrued and unpaid dividends not yet accumulated (the "liquidation value") or (ii) the amount that would be payable if the Series A Convertible Preferred Stock had been converted into common stock.

Voting. Holders of Series A Convertible Preferred Stock are entitled to vote with holders of Common Stock as a single class on each matter submitted to a vote of the Company's stockholders. Each share of Series A Convertible Preferred Stock has a number of votes equal to the number of votes possessed by the Common

Stock into which the Series A Convertible Preferred Stock is convertible. As long as the initial investors of the Series A Convertible Preferred Stock and their affiliates hold 50% or more of the "underlying common stock" (i.e., the shares of common stock issuable, or previously issued, upon conversion of the Series A Convertible Preferred Stock), they will have the right, voting as a separate class, to elect two directors to the Company's Board of Directors. If the initial investors and their affiliates cease to hold 50% but still hold 25% or more of the underlying common stock, they will have the right, voting as a separate class, to elect one director; and if they cease to hold 25% of the underlying common stock, their right to elect directors as a separate class will terminate.

Conversion. Each holder of Series A Convertible Preferred Stock may at any time, upon 10 business days' notice, convert all or part of the holder's Series A Convertible Preferred Stock into shares of common stock. The price at which a holder may convert is $17.50 per share, subject to adjustment. The conversion price will be adjusted if (i) the Company issues or is deemed to issue additional shares of common stock for a price per share less than the conversion price or the market price at the time of issuance or (ii) the Company issues or is deemed to issue options, warrants or convertible securities with an exercise price or conversion price per share less than the conversion price or the market price at the time of issuance. The conversion price will also be adjusted in certain other circumstances.

There will be no adjustment of the conversion price to the extent that in any fiscal year, the Company issues common stock in connection with acquisitions approved by the Board of Directors or grants or reprices stock options (at a price not lower than the market price at the time of grant or repricing), and the aggregate number of shares of common stock issued or for which options are granted or repriced does not exceed 4.0% of the shares of common stock outstanding on the last trading day of the prior fiscal year. For purposes of any adjustment to the conversion price, the "market price" per share for common stock is the average closing price over the 20 business day period preceding the date of determination.

Redemption at Company's Option. Beginning on May 12, 2002, if the closing price of common stock exceeds 150% of the conversion price for 20 consecutive trading days, the Company may elect, upon at least 30 days' prior written notice, to redeem all (but not part) of the outstanding shares of Series A Convertible Preferred Stock, subject to any holder's right to convert its shares into common stock prior to the redemption date. If the Company makes such an election, the redemption price will equal the liquidation value to the date of redemption.

Redemption at Holder's Option. At any time after a change of control, or after the occurrence of a bankruptcy event which continues for 60 days, each holder of Series A Convertible Preferred Stock may require the Company to redeem all or any part of the holder's shares at a price equal to the liquidation value per share, upon 15 days' prior written notice.

Covenants and Restrictions. Under the stock purchase agreement with the initial investors, the Company agreed to various covenants and restrictions. these covenants and restrictions include the Company's grant of preemptive rights to holders of Series A Convertible Preferred Stock under certain circumstances and the Company's agreement to provide them with specified financial and business information.

Registration Rights Agreement. The Company and the initial investors entered into a registration rights agreement at closing. This agreement requires the Company, at the request of holders of a majority of the underlying common stock at any time after the first anniversary of closing, to register all or any portion of their shares under the Securities Act in an underwritten public offering. Holders of Series A Convertible Preferred Stock are limited to three such registrations. The agreement also grants holders of Series A Convertible Preferred Stock "piggyback" registration rights. In all registrations (with certain limited exceptions), the Company will be required to pay the expenses of registration of the holders of Series A Convertible Preferred Stock (excluding the underwriting discounts and commissions).

Corporate Governance Agreement. The Company and the initial investors also entered into a corporate governance agreement at closing. This agreements contains certain provisions intended to implement the right of the initial investors to elect directors to the Company's Board of Directors. It also provides that until the earlier of (i) the date on which the initial investors and their permitted transferees cease to own any Series A Convertible Preferred Stock, (ii) the date on which the initial investors have completed a distribution of the Series A Convertible Preferred Stock to their partners or (iii) the first anniversary of closing, the initial investors and their transferees and affiliates will not acquire beneficial ownership of more than 30% of the voting power of the Company or acquire or attempt to acquire control of the Company, except in response to a proposal that has been made to the stockholders that would materially and adversely affect the investors, or pursuant to the exercise of their preemptive rights. The corporate governance agreement also contains specified restrictions, for a period of five years, on the initial investors' ability to transfer their shares of Series A Convertible Preferred Stock (but not the shares of common stock issuable upon conversion of those shares). In addition, the agreement provides that the approval of holders of a majority of the underlying common stock is required for the company to: (1) engage in mergers, acquisitions or divestitures of specified sizes, (2) enter into contracts with the Company's officers, directors, employees or affiliates, except for ordinary employment contracts, benefit plans and transactions with the Company's subsidiaries, and (3) incur indebtedness or issue specified capital stock that would cause the Company's fixed charge coverage ratio to be less than 1.75 to 1.0 (2.0 to 1.0 after the second anniversary of the initial issuance of the Series A Convertible Preferred Stock).

Note 12-EMPLOYEE BENEFIT PLAN

We have a 401(k) defined contribution retirement savings plan covering substantially all employees. Each participant may elect to defer a portion of his or her compensation subject to certain limitations. We may contribute up to 50% of the first 5% of compensation contributed to the plan by each employee. Our contributions for the years ended December 31, 1998, 1999, and 2000 were approximately $10,000, $49,000 and $782,000 respectively.

NOTE 13-RELATED PARTIES

In September 1999, we announced the formation of a new joint venture, Medam, B.A. Srl, an Argentine corporation, to utilize our ETD technology to treat medical waste primarily in the Buenos Aires market. In 1999 and 2000, we recorded $2,866,000 and $507,000 in revenues, respectively, related to the sale of equipment and other agreements.

In August 2000, we announced the formation of a new joint venture, Medical Waste Specialists (Pty) Ltd, to service the medical waste market in South Africa using our ETD technology. The joint venture company will be headquartered in Johannesburg, South Africa. In 2000, we recorded $5,085,000 in revenue related to the sale of equipment and other agreements.

NOTE 14-LEGAL PROCEEDINGS

We operate in a highly regulated industry and are exposed to regulatory inquiries or investigations from time to time. Investigations can be initiated for a variety of reasons. We have been involved in several legal and administrative proceedings that have been settled or otherwise resolved on terms acceptable to us, without having a material adverse effect on our business, financial condition or results of operations. We are also a party to various legal proceedings arising in the ordinary course of business. We believe that the resolution of these other matters will not have a material adverse affect on our business, financial condition or results of operation.

Note 15-PRODUCTS AND SERVICES AND GEOGRAPHIC INFORMATION

Summary revenue information for the Company's products and services is as follows:

	Year Ended December 31,		
	1998	1999	2000
	(in thousands)		
Medical waste management services	$59,669	$126,286	$316,549
Proprietary equipment and technology license sales	7,012	6,562	7,173
Total	$66,681	$132,848	$323,722

Summary financial information by geographic area is as follows:

	Year Ended December 31,		
	1998	1999	2000
	(in thousands)		
Revenues:			
United States	$59,206	$119,618	$304,512
Foreign countries	7,475	13,230	19,210
Total	$66,681	$132,848	$323,722
Long-lived assets			
United States	$66,853	$508,956	$494,755
Foreign countries	9,092	9,290	12,216
Total	$75,945	$518,246	$506,971

Revenues are attributed to countries based on the location of customers. In 1998, 1999 and 2000, we provided medical waste management services to customers in Canada and Mexico, and licensed proprietary equipment to Brazilian and Japanese companies and to joint ventures in Argentina and South Africa.

Note 16-SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our unaudited consolidated quarterly results of operations as reported for 1998, 1999 and 2000 (in thousands, except for per share amounts):

	First Quarter 1998	Second Quarter 1998	Third Quarter 1998	Fourth Quarter 1998
Revenues	$13,255	$14,763	$16,741	$21,922
Gross profit	3,957	4,432	5,878	7,086
Income before acquisition related costs	867	1,164	2,085	2,308
Net income	780	1,088	1,553	2,292
Basic earnings per common share	0.07	0.10	0.15	0.22
*Diluted earnings per common share	0.07	0.10	0.14	0.20

	First Quarter 1999	Second Quarter 1999	Third Quarter 1999	Fourth Quarter 1999
Revenues	$23,868	$25,019	$25,398	$58,563
Gross profit	8,007	8,540	8,740	21,438
Income before acquisition related costs	2,923	3,354	3,469	10,499
Net income	2,427	2,560	2,882	6,099
Basic earnings per common share	0.19	0.18	0.20	0.41
*Diluted earnings per common share	0.18	0.17	0.19	0.35

	First Quarter 2000	Second Quarter 2000	Third Quarter 2000	Fourth Quarter 2000
Revenues	$77,668	$79,557	$81,066	$85,431
Gross profit	30,311	31,296	31,915	33,855
Income before acquisition related costs	15,827	16,570	17,150	18,373
Net income	3,773	3,086	3,433	4,219
Basic earnings per common share	0.21	0.17	0.19	0.24
*Diluted earnings per common share	0.19	0.15	0.17	0.21

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* Earnings per share are calculated on a quarterly basis, and, as such, the amounts may not total the calculated full-year earnings per share.

Note 17-CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Payments under the Company's senior subordinated notes (the Notes) are unconditionally guaranteed, jointly and severally, by all of the Company's wholly domestic subsidiaries, which include ECCO, WSI, Med-Tech and BFI and certain other subsidiaries which have insignificant assets and operations (collectively, the "guarantors"). Financial information concerning the Guarantors as of and for the years ended December 31, 2000, 1999 and 1998 is presented below for purposes of complying with the reporting requirements of the Guarantor Subsidiaries. The financial information concerning the Guarantors is being presented through condensed consolidating financial statements since the Company has more than minimal independent operations and the guarantees are full and unconditional and are joint and several. Guarantor financial statements have not been presented because management does not believe that such financial statements are material to investors.

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2000

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1,408	$ 595	$ 2,003	$ 663	$ --	$ 2,666
Other current assets	78,193	12,220	90,413	7,113	(9,181)	88,345
Total current assets	79,601	12,815	92,416	7,776	(9,181)	91,011
Property, plant and equipment, net	60,165	242	60,407	13,501	--	73,908
Goodwill, net	377,178	29,384	406,562	12,228	--	418,790
Investment in subsidiaries	63,306	3,308	66,614	--	(66,614)	--
Other assets	19,234	6,582	25,816	124	(11,667)	14,273
Total assets	$599,484	$ 52,331	$651,815	$ 33,629	$(87,462)	$597,982
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt	$ 4,035	$ --	$ 4,035	$ 1,062	$ --	$ 5,097
Other current liabilities	43,175	1,233	44,408	2,793	(9,185)	38,016
Total current liabilities	47,210	1,233	48,443	3,855	(9,185)	43,113
Long-term debt, net of current portion	344,142	--	344,142	12,585	(11,623)	345,104
Other liabilities	1,995	--	1,995	1,633	--	3,628
Convertible preferred stock	71,437	--	71,437	--	--	71,437
Common shareholders' equity	134,700	51,098	185,798	15,556	(66,654)	134,700
Total liabilities and shareholders' equity	$599,484	$ 52,331	$651,815	$ 33,629	$(87,462)	$597,982

CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 1999

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
ASSETS						
Current assets:						
Cash and cash equivalents	$ 18,808	$ 246	$ 19,054	$ 290	$ --	$ 19,344
Other current assets	52,928	8,840	61,768	4,648	(8,220)	58,196
Total current assets	71,736	9,086	80,822	4,938	(8,220)	77,540
Property, plant and equipment, net	15,029	49,932	64,961	10,151	--	75,112
Goodwill, net	40,920	369,914	410,834	10,167	--	421,001
Investment in subsidiaries	441,423	3,627	445,050	--	(445,050)	--
Other assets	17,817	13,617	31,434	3,675	(12,976)	22,133
Total assets	$ 586,925	$ 446,176	$1,033,101	$ 28,931	$ (466,246)	$ 595,786
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt	$ 3,954	$ 892	$ 4,846	$ 895	$ --	$ 5,741
Other current liabilities	43,517	5,084	48,601	4,677	(8,337)	44,941
Total current liabilities	47,471	5,976	53,447	5,572	(8,337)	50,682
Long-term debt, net of current portion	349,794	4,539	354,333	13,970	(12,859)	355,444
Other liabilities	2,351	--	2,351	--	--	2,351
Convertible preferred stock	69,195	--	69,195	--	--	69,195
Common shareholders' equity	118,114	435,661	553,775	9,389	(445,050)	118,114
Total liabilities and shareholders' equity	$ 586,925	$ 446,176	$1,033,101	$ 28,931	$ (466,246)	$ 595,786

CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2000

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues	$ 135,981	$ 158,992	$ 294,973	$ 29,580	$ (831)	$ 323,722
Cost of revenues	78,593	96,568	175,161	22,015	(831)	196,345
Selling, general, and administrative expense	34,419	19,695	54,114	5,343	--	59,457
Acquisition related expenses	4,454	--	4,454	--	--	4,454
Total costs and expenses	117,466	116,263	233,729	27,358	(831)	260,256
Income from operations	18,515	42,729	61,244	2,222	--	63,466
Equity in net income (loss) of subsidiaries	28,001	(1,025)	26,976	--	(26,976)	--
Other (expense) income, net	(38,329)	483	(37,846)	(1,804)	--	(39,650)
Income before income taxes	8,187	42,187	50,374	418	(26,976)	23,816
Income tax expense (benefit)	(6,324)	15,462	9,138	167	--	9,305
Net income	$ 14,511	$ 26,725	$ 41,236	$ 251	$ (26,976)	$ 14,511

CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1999

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues	$ 61,069	$ 46,618	$ 107,687	$ 25,533	$ (372)	$ 132,848
Cost of revenues	38,455	28,892	67,347	19,086	(310)	86,123
Selling, general, and administrative expense	15,478	6,306	21,784	4,931	(235)	26,480
Acquisition related expenses	7,961	--	7,961	--	--	7,961
Total costs and expenses	61,894	35,198	97,092	24,017	(545)	120,564
Income (loss) from operations	(825)	11,420	10,595	1,516	173	12,284
Equity in net income of subsidiaries	8,675	119	8,794	--	(8,794)	--
Other (expense) income, net	(3,934)	778	(3,156)	(1,157)	(173)	(4,486)
Income before income taxes	3,916	12,317	16,233	359	(8,794)	7,798
Income tax (benefit) expense	(10,052)	3,882	(6,170)	--	--	(6,170)
Net income	$ 13,968	$ 8,435	$ 22,403	$ 359	$ (8,794)	$ 13,968

CONDENSED CONSOLIDATING STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1998

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
Revenues	$ 52,357	$ 9,598	$ 61,955	$ 4,726	$ --	$ 66,681
Cost of revenues	35,194	6,334	41,528	3,800	--	45,328
Selling, general, and administrative expense	12,789	1,408	14,197	732	--	14,929
Total costs and expenses	47,983	7,742	55,725	4,532	--	60,257
Income from operations	4,374	1,856	6,230	194	--	6,424
Equity in net income (loss) of subsidiaries	2,081	(106)	1,975	--	(1,975)	--
Other (expense) income, net	(244)	144	(100)	37	--	(63)
Income before income taxes	6,211	1,894	8,105	231	(1,975)	6,361
Income tax expense	498	150	648	--	--	648
Net income	$ 5,713	$ 1,744	$ 7,457	$ 231	$ (1,975)	$ 5,713

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2000

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash provided by operating activities	$ 2,911	$ 4,801	$ 7,712	$ 2,757	$ --	$ 10,469
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	(8,816)	(2,109)	(10,925)	(661)	--	(11,586)
Payments for acquisitions and international investments, net of cash acquired	(3,044)	(1,456)	(4,500)	(16)	--	(4,516)
Proceeds from maturity of short-term investments	502	--	502	--	--	502
Net cash used in investing activities	(11,358)	(3,565)	(14,923)	(677)	--	(15,600)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Net proceeds from bank line of credit	5,000	--	5,000	--	--	5,000
Principal payments on capital lease obligations	(309)	(887)	(1,196)	(291)	--	(1,487)
Repayment of long term debt	(15,012)	--	(15,012)	(1,416)	--	(16,428)
Payments of deferred financing costs	(631)	--	(631)	--	--	(631)
Proceeds from issuance of common stock	2,299	--	2,299	--	--	2,299
Payments related to issuance of preferred stock	(300)	--	(300)	--	--	(300)
Net cash used in financing activities	(8,953)	(887)	(9,840)	(1,707)	--	(11,547)
Net (decrease) increase in cash and cash equivalents	$(17,400)	$ 349	$(17,051)	$ 373	$ --	(16,678)
Cash and cash equivalents at beginning of period						19,344
Cash and cash equivalents at end of period						$ 2,666

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1999

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash provided by operating activities	$ 4,951	$ 283	$ 5,234	$ 6,543	$ --	$ 11,777
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	(2,534)	(85)	(2,619)	(1,176)	--	(3,795)
Payments for acquisitions and international investments, net of cash acquired	(418,280)	--	(418,280)	(4,000)	--	(422,280)
Proceeds from maturity of short-term investments	447	--	447	--	--	447
Net cash used in investing activities	(420,367)	(85)	(420,452)	(5,176)	--	(425,628)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Net payment on bank lines of credit	(16,359)	--	(16,359)	--	--	(16,359)
Repayment of long term debt	(3,884)	--	(3,884)	(482)	--	(4,366)
Principal payments on capital lease obligations	(50)	(125)	(175)	(115)	--	(290)
Proceeds from long term debt	350,000	--	350,000	--	--	350,000
Net payments on subordinated debt	(2,750)	--	(2,750)	--	--	(2,750)
Payment of deferred financing costs	(10,828)	--	(10,828)	--	--	(10,828)
Net proceeds from common stock offering	47,158	--	47,158	--	--	47,158
Proceeds from issuance of preferred stock	68,855	--	68,855	--	--	68,855
Proceeds from other issuances of common stock	492	--	492	--	--	492
Net cash provided by (used in) financing activities	432,634	(125)	432,509	(597)	--	431,912
Net increase in cash and cash equivalents	$ 17,218	$ 73	$ 17,291	$ 770	$ --	18,061
Cash and cash equivalents at beginning of period						1,283
Cash and cash equivalents at end of period						$19,344

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 1998

	STERICYCLE, INC.	GUARANTOR SUBSIDIARIES	COMBINED STERICYCLE AND GUARANTOR SUBSIDIARIES	NON-GUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash provided by operating activities	$ 3,749	$ 278	$ 4,027	$ 835	$ --	$ 4,862
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures	(3,629)	(271)	(3,900)	(442)	--	(4,342)
Payments for acquisitions and international investments, net of cash acquired	(19,775)	--	(19,775)	--	--	(19,775)
Purchases of short-term investments	(41)	--	(41)	--	--	(41)
Proceeds from sale of property	395	10	405	--	--	405
Net cash used in investing activities	(23,050)	(261)	(23,311)	(442)	--	(23,753)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Net proceeds from bank lines of credit	16,589	--	16,589	(203)	--	16,386
Repayment of long term debt	(2,513)	(6)	(2,519)	(670)	--	(3,189)
Principal payments on capital lease obligations	(1,273)	--	(1,273)	--	--	(1,273)
Proceeds from subordinated debt	2,750	--	2,750	--	--	2,750
Payment of deferred financing costs	(218)	--	(218)	--	--	(218)
Proceeds from issuance of common stock	344	--	344	--	--	344
Net cash provided by (used in) financing activities	15,679	(6)	15,673	(873)	--	14,800
Net (decrease) increase in cash and cash equivalents	$ (3,622)	$ 11	$ (3,611)	$ (480)	$ --	(4,091)
Cash and cash equivalents at beginning of period						5,374
Cash and cash equivalents at end of period						$ 1,283

SCHEDULE II - VALUATION AND ALLOWANCE ACCOUNTS
(in thousands)

	Balance 12/31/97	Charges to Expense	Other Charges (1)	Write-offs/ Payments	Balance 12/31/98
Allowance for doubtful accounts	$ 361	$ 642	$ 574	$ (676)	$ 901
Deferred tax valuation allowance	14,582	4,899	--	--	19,481

	Balance 12/31/98	Charges to Expense	Other Charges (1)	Write-offs/ Payments	Balance 12/31/99
Allowance for doubtful accounts	$ 901	$ 842	$ 202	$ (965)	$ 980
Accrued severance and closure costs	--	3,373	--	(210)	3,163
Accrued transition expenses	--	1,659	--	(650)	1,009
Deferred tax valuation allowance	19,481	(9,894)	--	--	9,587

	Balance 12/31/99	Charges to Expense	Other Charges (1)	Write-offs/ Payments	Balance 12/31/00
Allowance for doubtful accounts	$ 980	$ 1,552	$ 1,996	$ (903)	$ 3,625
Accrued severance and closure costs	3,163	3,351	--	(5,390)	1,124
Accrued transition expenses	1,009	1,103	--	(2,112)	--
Deferred tax valuation allowance	9,857	(999)	--	--	8,588

(1) Amounts consist primarily of costs assumed from acquired companies recorded prior to the date of acquisition

ITEM 9. CHANGES AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL STATEMENT DISCLOSURE

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item regarding our directors is incorporated by reference to the information contained under the caption "Election of Directors-Nominees for Director" in our definitive proxy statement for our 2001 Annual Meeting of Stockholders to be held on May 15, 2001, to be filed pursuant to Regulation 14A.

The information required by this Item regarding our executive officers is contained under the caption "Executive Officers of the Registrant" in Part I of this Report.

The information required by this Item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated by reference to the information contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement for our 2001 Annual Meeting of Stockholders to be held on May 15, 2001, to be filed pursuant to Regulation 14A.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the information contained under the caption "Executive Compensation" in the our definitive proxy statement for our 2001 Annual Meeting of Stockholders to be held on May 15, 2001, to be filed pursuant to Regulation 14A.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the information contained under the caption "Stock Ownership--Stock Ownership of Directors and Executive Officers" in our definitive proxy statement for our 2001 Annual Meeting of Stockholders to be held on May 15, 2001, to be filed pursuant to Regulation 14A.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the information contained under the caption "Election of Directors--Certain Transactions" in our definitive proxy statement for our 2001 Annual Meeting of Stockholders to be held on May 15, 2001, to be filed pursuant to Regulation 14A.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K

FINANCIAL STATEMENTS (Item 14(a)(1) and (2))

We have filed the following financial statements and schedules with this Report:

EXHIBITS (Item 14(a)(3))

We have filed the following exhibits with this Report:

Exhibit Index	Description	Filed with Electronic Submission
2.1*	Stock Purchase Agreement, dated as of April 14, 1999, between Allied Waste Industries, Inc. and the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed April 23, 1999)...............	
2.2*	Asset Purchase Agreement, dated as of April 14, 1999, between Allied Waste Industries, Inc. and the Registrant (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed April 23, 1999)...............	

Exhibit Index	Description	Filed with Electronic Submission
2.3*	First Amendment to Stock Purchase Agreement, dated as of October 22, 1999, between Allied Waste Industries, Inc. and the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed October 25, 1999)...	
2.4*	First Amendment to Asset Purchase Agreement, dated as of October 22, 1999, between Allied Waste Industries, Inc. and the Registrant (incorporated by reference to Exhibit 2.2 to the Registrant's Current Report on Form 8-K filed October 25, 1999)...	
2.5*	Second Amendment to Stock Purchase Agreement, dated as of November 12, 1999, between Allied Waste Industries, Inc. and the Registrant (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed November 29, 1999)..	
3.1*	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's 1996 Form S-1).................	
3.2*	First Certificate of Amendment to Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 29, 1999)................	
3.3*	Certificate of Designation Relating to Certificate of Designation Relating to Series A Convertible Preferred Stock, Par Value $.01 Per Share (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed November 29, 1999)..	
3.4*	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's 1996 Form S-1).................................	
3.5*	Amendment to Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.5 to the Registrant's Annual Report on Form 10-K for 1999)	
4.1*	Registration Rights Agreement, dated as of November 12, 1999, among Donaldson, Lufkin & Jenrette Securities Corporation, Bear, Stearns & Co., Inc., Credit Suisse First Boston Corporation, Warburg Dillon Read LLC, the Registrant and the guarantors named in the agreement (incorporated by reference to Exhibit 4.1 to the Registrant's 1999 Form S-4)...	

Exhibit Index	Description	Filed with Electronic Submission
4.2*	Registration Rights Agreement, dated as of November 12, 1999, between the Registrant and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed November 29, 1999)................	
4.3*	Amended and Restated Registration Agreement, dated October 19, 1994, between the Registrant and certain of its stockholders, and related First Amendment dated September 30, 1995 and Second Amendment dated July 1, 1996 (incorporated by reference to Exhibit 4.4 to the Registrant's 1996 Form S-1).....................	
4.4*	Specimen certificate for shares of the Registrant's Common Stock, par value $.01 per share (incorporated by reference to Exhibit 4.1 to the Company's 1996 Form S-1)..	
4.5*	Form of Common Stock Purchase Warrant in connection with July 1995 line of credit (incorporated by reference to Exhibit 4.2 to the Company's 1996 Form S-1).......	
4.6*	Form of Common Stock Purchase Warrant in connection with May 1996 short-term loan (incorporated by reference to Exhibit 4.3 to the Company's 1996 Form S-1).......	
4.7*	Form of Common Stock Purchase Warrant in connection with December 1998 subordinated loan (incorporated by reference to Exhibit 4.1 to the Company's 1999 Form S-3)...	
4.8	Form of Common Stock Purchase Warrant in connection with July 2000 purchase of additional 15% interest in Medam, S.A. de C.V.	x
10.1*	Credit Agreement dated as of November 12, 1999, among the Registrant, the various financial institutions from time to time parties to the agreement, DLJ Capital Funding, Inc., as syndication agent for the financial institutions, lead arranger and sole book running manager, Bank of America, N.A., as administrative agent for the financial institutions, and Bankers Trust Company, as documentation agent for the financial institutions (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed November 29, 1999).........	

Exhibit Index	Description	Filed with Electronic Submission
10.2*	Indenture, dated as of November 12, 1999, among the Registrant, the guarantors named in the indenture, and State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 10.1 to the Registrant's 1999 Form S-4)...	
10.3*	Amended and Restated Series A Convertible Preferred Stock Purchase Agreement, dated September 26, 1999, between the Registrant and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 15, 1999)...	
10.4*	Corporate Governance Agreement, dated as of November 12, 1999, between the Registrant and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 10.4 to the Registrant's Annual Report on Form 10-K for 1999)...............................	
10.5*+	Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to the Registrant's 1996 Form S-1)................................	
10.6*+	First Amendment to Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.7 to the Registrant's 1999 Form S-3).................	
10.7*+	Directors Stock Option Plan (incorporated by reference to Exhibit 10.2 to the Registrant's 1996 Form S-1)..	
10.8*+	First and Second Amendments to Directors Stock Option Plan (incorporated by reference to Exhibit 10.8 to the Registrant's 1999 Form S-3)....................	
10.9*+	Third Amendment to Directors Stock Option Plan (incorporated by reference to Exhibit 10.9 to the Registrant's Annual Report on Form 10-K for 1999)...........	
10.10*+	1997 Stock Option Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Annual Report on Form 10-K for 1997)...............................	
10.11*+	First Amendment to 1997 Stock Option Plan (incorporated by reference to Exhibit 10.9 of the Registrant's 1999 Form S-3...	

Exhibit Index	Description	Filed with Electronic Submission
10.12*	Guaranty Agreement dated June 1, 1992 among the Registrant, Fleet National Bank, as trustee, and Rhode Island Industrial-Recreational Building Authority, and related Regulatory Agreement dated June 1, 1992 between the Registrant and the Rhode Island Industrial- Recreational Building Authority (incorporated by reference to Exhibit 10.5 to the Registrant's 1996 Form S-1)....................	
10.13*	Industrial Building Lease dated July 28, 1998 between Curto Reynolds Oelerich, Inc. and the Company, relating to the Registrant's lease of office and warehouse space in Lake Forest, Illinois (incorporated by reference to Exhibit 10.3 to the Registrant's 1999 Form S-3)..	
10.14*	Joint Venture Agreement dated May 16, 1997 among the Company, Pennoni Associates, Inc., Conopam, S.A. de C.V. and Controladora Ambiental, S.A. de C.V., relating to the organization of Medam, S.A. de C.V. (incorporated by reference to Exhibit 10.2 to the Registrant's 1999 Form S-3)..	
11	Statement re computation of per share earnings..................................	x
12	Statement re computation of ratios..	x
21	Subsidiaries of the Registrant..	x
23	Consent of Ernst & Young LLP..	x

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* Previously filed

\+ Management contract or compensatory plan required to be filed pursuant to Item 601 of Regulation S-K

References to the Registrant's "1996 Form S-1" are to the Registrant's Registration Statement on Form S-1 as declared effective on August 22, 1996 (Registration No. 333-05665); references to the Registrant's "1999 Form S-3" are to the Registrant's Registration Statement on Form S-3 as declared effective on February 4, 1999 (Registration No. 333-60591); and references to the Registrant's "1999 Form S-4" are to the Registrant's Registration Statement on Form S-4 as declared effective on December 15, 1999 (Registration No. 333-91831).

REPORTS ON FORM 8-K (Item 14(b))

During the quarter ended December 31, 2000, we did not file any reports on Form 8-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 21, 2001

STERICYCLE, INC.

By /s/ Mark C. Miller

Mark C. Miller
President and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Jack W. Schuler Jack W. Schuler	Chairman of the Board of Directors	March 21, 2001
/s/ Mark C. Miller Mark C. Miller	President, Chief Executive Officer and a Director (Principal Executive Officer)	March 21, 2001
/s/ Frank J.M. ten Brink Frank J.M. ten Brink	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 21, 2001
/s/ John P. Connaughton John P. Connaughton	Director	March 21, 2001
/s/ Rod F. Dammeyer Rod F. Dammeyer	Director	March 21, 2001
/s/ Patrick F. Graham Patrick F. Graham	Director	March 21, 2001
/s/ John Patience John Patience	Director	March 21, 2001
/s/ Thomas R. Reusche Thomas R. Reusche	Director	March 21, 2001
/s/ L. John Wilkerson, Ph.D. L. John Wilkerson, Ph.D.	Director	March 21, 2001
/s/ Peter Vardy Peter Vardy	Director	March 21, 2001

EXHIBIT 4.8

NEITHER THIS WARRANT NOR ANY SHARES OF THE COMMON STOCK OF STERICYCLE, INC. WHICH MAY BE ISSUED UPON THE EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS.

NEITHER THIS WARRANT NOR ANY SUCH SHARES MAY BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF EXCEPT IN ACCORDANCE WITH APPLICABLE REGISTRATION REQUIREMENTS OR AN APPLICABLE EXEMPTION FROM REGISTRATION.

STERICYCLE, INC.

COMMON STOCK PURCHASE WARRANT

Warrant No. 2000-[number] Date of Issuance: July 1, 2000

VOID AFTER 12 NOON, CHICAGO, ILLINOIS TIME,
ON JULY 1, 2005

Stericycle, Inc., a Delaware corporation (the "Company"), hereby certifies that, in consideration of value received, [name] (the "Holder") is entitled to purchase from the Company [number] fully paid and nonassessable shares of the Company's common stock, par value $.01 per share ("Common Stock"), at the purchase price per share of U.S. $17.50 (the "Exercise Price"), at any time or from time to time before 12:00 noon, Chicago, Illinois time, on JULY 1, 2005 (the "Time of Expiration"), subject to the following terms and conditions.

The number of shares of Common Stock and the character of the property to be delivered upon exercise of this Warrant are subject to adjustment as provided in Article 3.

Certain capitalized terms used in this Warrant are defined in Article 8.

ARTICLE 1

COMPLIANCE WITH SECURITIES LAWS

Neither this Warrant nor any shares of Common Stock which may be issued upon the exercise of this Warrant have been registered under the Securities Act or any state securities law. By acceptance of this Warrant, the Holder represents to the Company and agrees that:

(a) this Warrant, and all shares of Common Stock which may be issued upon the exercise of this Warrant, will be sold, transferred or disposed of only in accordance with the applicable registration requirements of the Securities Act and state securities laws or an applicable exemption from registration;

(b) all shares of Common Stock which may be issued upon the exercise of this Warrant will be acquired by the Holder for his or her own account, for investment, and not with a view to a further sale or distribution;

(c) he or she has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in Common Stock and is able to bear the economic risk of such an investment;

(d) he or she has been provided with such information relating to the Company as the Company provides to its stockholders generally and has had the opportunity to ask questions and receive answers from officers of the Company and obtain such additional information about the Company as he or she considered necessary in connection with an investment in Common Stock.

ARTICLE 2

EXERCISE OF WARRANT

2.1 MANNER OF EXERCISE. The Holder may exercise this Warrant, in whole or in part, by surrender of this Warrant to the Company on any business day on or before 12:00 noon, Chicago, Illinois time, on July 1, 2005 at the Company's Designated Office, accompanied by the attached Notice of Exercise duly completed and signed and indicating the whole number of shares of Common Stock being purchased and by:

(a) a certified or bank cashier's check (or with the Company's prior approval, a personal check) payable to the Company's order in an amount equal to Purchase Price; or

(b) shares of Common Stock having a fair market value on the date of exercise equal to the Purchase Price; or

(c) written direction to the Company to withhold, from the shares of Common Stock otherwise issuable upon exercise of the Warrant, shares of Common Stock having a fair market value on the date of exercise equal to the Purchase Price.

For purposes of this Section 2.1, the "fair market value" of shares of Common Stock shall be determined on the basis of the last reported sales price of a share of Common Stock on the Nasdaq National Market on the last trading day preceding the effective date of the Holder's exercise of the Warrant. No purported exercise of this Warrant after 12:00 noon, Chicago, Illinois time, on July 1, 2005 shall be effective.

2.2 EFFECTIVE DATE OF EXERCISE. Each otherwise proper exercise of this Warrant shall be considered effective immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company in accordance with Section 2.1. The Holder shall be considered to have become the holder of record of the shares of Common Stock issuable by reason of the Holder's exercise at that time, notwithstanding the fact that the Company may not yet have delivered a stock certificate representing those shares to the Holder.

2.3 DELIVERY OF STOCK CERTIFICATE. As soon as practicable after the Holder's exercise of this Warrant in whole or in part, and in any event within 10 days after exercise, the Company shall cause to be issued in the Holder's name:

(a) a certificate or certificates for the number of fully paid and nonassessable shares of Common Stock to which the Holder is entitled by reason of the Holder's exercise; and

(b) in case the exercise is in part, a new warrant of like tenor to this Warrant, providing on its face for the right to purchase a number of shares of Common Stock equal to the number of shares of Common Stock issuable under this Warrant at the time of exercise less the number of shares issuable by reason of the Holder's exercise.

2.4 FRACTIONAL SHARES. This Warrant may be exercised only to purchase a whole number of shares of Common Stock. The Company shall not be required to issue any fractional share of Common Stock upon the exercise of this Warrant or to pay cash or issue scrip in lieu of issuing a fractional share.

ARTICLE 3

ADJUSTMENTS

The number of shares of Common Stock for which this Warrant is exercisable, and the price at which those shares may be purchased upon exercise of this Warrant, shall be subject to adjustment as follows:

3.1 STOCK DIVIDENDS, SUBDIVISIONS AND COMBINATIONS. If any one of the following events (an "Adjusting Event") occurs at any time prior to the Time of Expiration:

(a) the Company takes a record of holders of its Common Stock for the purpose of determining the holders entitled to receive a dividend payable in or other distribution of shares of Common Stock,

(b) the Company subdivides or splits its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(c) the Company combines its outstanding shares of Common Stock into a smaller number of shares of Common Stock,

then:

(d) the number of shares of Common Stock for which this Warrant is exercisable immediately after the occurrence of the Adjusting Event shall be adjusted to equal the number of shares of Common Stock that a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of the Adjusting Event would own or would be entitled to receive immediately after the occurrence of the Adjusting Event; and

(e) the Exercise Price immediately after the occurrence of the Adjusting Event shall be adjusted to equal the product obtained by multiplying the Exercise Price in effect immediately prior to the occurrence of the Adjusting Event by a fraction, the numerator of which is the number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of the Adjusting Event and the denominator of which is the number of shares of Common Stock for which this Warrant is exercisable immediately after the occurrence of the Adjusting Event.

3.2 CORPORATE TRANSACTIONS. If any one of the following events (a "Corporate Transaction") occurs at any time prior to the time of Expiration:

(a) the Company reorganizes, reclassifies or recapitalizes its capital stock,

(b) the Company merges or consolidates with or into another corporation and is not the surviving corporation, or

(c) the Company sells, transfers or otherwise disposes of all or substantially all of its assets or business to another corporation,

then the Company shall make proper provision so that the Holder, upon the exercise of this Warrant at any time after the consummation of the Corporate Transaction, shall be entitled to receive, in lieu of the shares of Common Stock that would have been issuable upon the Holder's exercise prior to such consummation, the cash, stock and other securities, and property that the Holder would have received upon such consummation if the Holder had so exercised this Warrant immediately prior to such consummation.

ARTICLE 4

NOTICES OF RECORD DATE AND OTHER ACTIONS

If the Company proposes:

(a) to take a record of holders of its Common Stock for the purpose of determining the holders who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, or

(b) any reorganization, reclassification or recapitalization of its capital stock, any merger or consolidation in which the Company will not be the surviving corporation, or any sale, transfer or other disposition of all or substantially all its assets or business, or

(c) any voluntary or involuntary dissolution, liquidation or winding up,

the Company shall give the Holder at least 10 days' prior written notice of the date or expected date on which any such action is to be taken and provide appropriate details of the action to be taken.

ARTICLE 5

TRANSFER RESTRICTIONS

5.1 NONTRANSFERABLE. This Warrant may not be sold, assigned, pledged or otherwise transferred without the Company's prior written consent.

5.2 LEGEND ON CERTIFICATEs. Each certificate for shares of Common Stock issued upon the exercise of this Warrant, and each certificate issued upon the transfer of any such shares, shall be stamped or otherwise imprinted with a legend in substantially the following form:

> The shares represented by this certificate have not been registered under the Securities Act of 1933. The shares have been acquired for investment and may not be sold, transferred, pledged or hypothecated in the absence of an effective registration statement for the shares under the Securities Act of 1933 or compliance with the provisions of Rule 144 of the Securities and Exchange Commission with respect to the shares proposed to be sold.

ARTICLE 6

RESERVATION OF STOCK

The Company shall reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, all shares of Common Stock issuable upon the exercise of this Warrant. All shares of Common Stock issuable upon the exercise of this Warrant shall be duly authorized, validly issued, fully paid and nonassessable, with no personal liability attaching to the ownership of the shares.

ARTICLE 7

RIGHTS AND OBLIGATIONS OF THE HOLDER

The rights of the Holder are limited to those granted in this Warrant, and by acceptance of this Warrant, the Holder agrees to be bound by the provisions of this Warrant. As the holder of this Warrant, the Holder shall not be entitled to vote, receive dividends on or in any other respect be considered the holder of shares of Common Stock, and nothing in this Warrant shall be construed to confer upon the Holder any of the rights of a stockholder of the Company until this Warrant has been exercised and shares of Common Stock have been issued or have become issuable to the Holder.

ARTICLE 8

DEFINITIONS

As used in this Warrant, the following terms have these meanings:

DESIGNATED OFFICE means the Company's principal executive offices as disclosed in its most recent filing with the U.S. Securities and Exchange Commission. The Designated Office is currently 28161 North Keith Drive, Lake Forest, Illinois 60045.

PURCHASE PRICE means the product obtained by multiplying (i) the number of shares of Common Stock being purchased upon exercise of this Warrant by (ii) the Exercise Price.

SECURITIES ACT means the Securities Act of 1933, as amended, and the related rules and regulations issued by the U.S. Securities and Exchange Commission.

ARTICLE 9

MISCELLANEOUS

9.1 NOTICES. All notices and other communications under this Warrant shall be in writing and sent by certified or registered mail, overnight messenger service, telecopier or personal delivery, to the Company at its Designated Office and to the Holder at the Holder's business address as it appears on the Company's records. All notices sent by certified or registered mail shall be considered to have been given three business days after being deposited in the mail. All notices sent by overnight courier service, telecopier or personal delivery shall be considered to have been given when actually received by the intended recipient. The Holder may change the Holder's address for purposes of this Warrant by notice to the Company in accordance with this Section 9.1.

9.2 AMENDMENT. Neither this Warrant nor any of its terms may be changed, waived, discharged or terminated except by an instrument in writing signed by the Holder and the Company.

9.3 GOVERNING LAW. This Warrant shall be governed by the laws of the State of Delaware without regard to conflicts of laws principles.

9.4 BINDING EFFECT. This Warrant shall apply to, be binding in all respects upon and inure to the benefit of the Company and its successors and assigns and the Holder and his or her heirs, legal representatives and permitted assigns.

STERICYCLE, INC.

By ______________________________________

Its ________________________________

NOTICE OF EXERCISE

To: Stericycle, Inc.

The undersigned holder hereby irrevocably elects to exercise the attached Warrant to the extent of shares of the common stock, par value $.01 per share, of Stericycle, Inc., issuable under the Warrant, and hereby makes payment for such shares of $ by certified or bank cashier's check or other means allowable pursuant to the terms of the Warrant.

If payment is not by certified or bank cashier's check, please describe the manner of payment:

Date:

Name:

INSTRUCTIONS FOR REGISTRATION OF SHARES

Name:

Address:

EXHIBIT 11

STERICYCLE, INC. AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(Unaudited)

	1998	1999	2000
Weighted average common shares outstanding--basic earnings per share..........	10,647,083	14,240,084	14,879,103
Common stock issuable upon assumed conversion of preferred stock, stock options and warrants..........................	616,445	1,001,694	5,213,741
Adjusted weighted average common shares outstanding--diluted earnings per share....................................	11,263,528	15,241,778	20,092,844
Net income...................................	$ 5,713	$ 13,968	$ 14,511
Basic net income per common share.............	$ 0.54	$ 0.96	$ 0.80
Diluted net income per common share...........	$ 0.51	$ 0.92	$ 0.72

EXHIBIT 12

COMPUTATION OF THE RATIO OF EARNINGS TO FIXED CHARGES
(in thousands)

	Year Ended December 31,				
	1995	1996	1997	1998	1999
EARNINGS					
Pre-tax income (loss)	$ (2,389)	$ 1,576	$ 6,361	$ 7,798	$ 23,816
Add: fixed charges	1,194	1,523	1,964	8,504	43,559
Total earnings	$ (1,195)	$ 3,099	$ 8,325	$ 16,302	$ 67,375
FIXED CHARGES					
Interest expense	$ 373	$ 428	$ 777	$ 6,195	$ 39,785
Rent expense included in fixed charges	821	1,095	1,169	2,309	3,774
Total fixed charges	$ 1,194	$ 1,523	$ 1,946	$ 8,504	$ 43,559
RATIO OF EARNINGS TO FIXED CHARGES	--*	2.0	4.3	1.9	1.6

* For the year ended December 31, 1996, earnings were insufficient to cover fixed charges by approximately $50.

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Stericycle of Arkansas, Inc., an Arkansas corporation

Stericycle of Washington, Inc., a Washington corporation

SWD Acquisition Corp., a Delaware corporation

Environmental Control Co., Inc., a New York corporation

Waste Systems, Inc., a Delaware corporation

Med-Tech Environmental, Inc., a Delaware corporation

Med-Tech Environmental (MA), Inc., a Delaware corporation

Ionization Research Co., Inc., a California corporation

3CI Complete Compliance Corporation, a Delaware corporation

BFI Medical Waste, Inc., a Delaware corporation

Browning-Ferris Industries of Connecticut, Inc., a Delaware corporation

BFI Medical Waste, Inc., a Puerto Rico corporation

Med-Tech Environmental, Limited, a New Brunswick, Canada corporation

Medam S.A. de C.V, a Mexican corporation

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement on Form S-8 (Registration No. 333-23695) pertaining to the Amended and Restated Incentive Compensation Plan of Stericycle, Inc., in the Registration Statement on Form S-8 (Registration No. 333-24185) pertaining to the Directors Stock Option Plan of Stericycle, Inc., in the Registration Statement on Form S-8 (Registration No. 333-48761) pertaining to the 1997 Stock Option Plan of Stericycle, Inc., and in the Registration Statement on Form S-8 (Registration No. 333-55156) pertaining to the 2000 Nonstatutory Stock Option Plan of Stericycle, Inc., of our report dated February 23, 2001, with respect to the consolidated financial statements and schedule of Stericycle, Inc. and Subsidiaries included in the Annual Report on Form 10-K for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Chicago, Illinois
February 23, 2001