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

FORM 10-K

(MARK ONE)

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

For the fiscal year ended December 31, 2001

OR

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

FOR THE TRANSITION PERIOD FROM __________ TO ____________

Commission File Number 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 including Zip Code)

(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, $0.01 par value
(title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 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 22, 2002, the aggregate market value of the Registrant's voting stock held by non-affiliates of the Registrant was $1,042,453,017.

On March 22, 2002, there were 18,706,078 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 2002 Annual Meeting of Stockholders to be held on May 15, 2002.

Stericycle®

Stericycle, Inc.

2001 ANNUAL REPORT ON FORM 10-K

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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 269,000 customers throughout the United States, Canada, Puerto Rico and Mexico. We have the only fully integrated, national medical waste management network. Our network includes 36 treatment/collection centers and 94 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.

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 4% of revenues. Our two principal groups of customers include approximately 264,350 small medical waste generators such as outpatient clinics, medical and dental offices and long-term and sub-acute care facilities and approximately 4,650 large medical waste generators such as hospitals, blood banks and pharmaceutical manufacturers.

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.

Industry Overview

The regulated medical waste industry arose with the Medical Waste Tracking Act of 1988, or 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, government regulation has increasingly required 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. 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.

Shift to Off-Site Treatment. 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 U.S. 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, 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, or 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, or 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 Leadership. We are the largest provider of medical waste management services in the United States, with the only national network of services. 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 â container, a reusable leak and puncture-resistant container, made from recycled plastic, which we developed and patented.

Established National Network. Our 36 treatment/collection centers and our over 269,000 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 extremely expensive and time-consuming for a competitor to develop.

Low-Cost Operations. We are often the low-cost provider within the markets we serve. Our low costs result 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. 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 4% 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 any other increases in our operating 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 Senior Management Team. Our four most senior executives and the Chairman of our Board of Directors collectively have over 90 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. and Waste Management, 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:

Improve Margins. We intend to continue actively to work to improve our margins by increasing our base of small account customers and focusing on service strategies that more efficiently meet the needs of our large 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 58% in the fourth quarter of 2001, which has contributed to an increase in our operating income margins. 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. We believe that the number of small account customers and the opportunities for sales of ancillary services and products to both large and small account customers will continue to grow.

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. 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.

Seek Complementary Acquisitions. As described below, we actively seek strategic opportunities to acquire businesses that expand our national network of treatment centers and increase our customer base. We believe that strategic acquisitions can enable us to gain operating efficiencies through increased capacity utilization and increased route density as well as to expand the geographic service areas in which we operate.

Capitalize on Outsourcing Due to 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.

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; and
- 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.

Acquisitions History. We completed a total of 55 acquisitions from 1993 through 2001, of which the most significant was our acquisition in November 1999 of the medical waste business of Browning Ferris Industries, Inc. in the United States, Canada and Puerto Rico. Prior to this 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. During 2001, we completed a further four acquisitions, as follows:

Seller	Date	Markets Served
Integrated Environmental Systems, Inc.	December 2001	California
American Medical Disposal, Inc.	July 2001	Oklahoma, Texas, Nebraska, Arkansas and Missouri
Trans Med Ltd.	April 2001	New York
Bio-Safe America, Inc.	April 2001	Florida

In addition, our Mexican subsidiary completed a fifth acquisition, of a medical waste business in Mexico City, in August 2001. See "--International."

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 36 treatment/collection facilities located in 23 states, Puerto Rico, Canada and Mexico that serve over 269,000 customers, consisting of approximately 264,350 small account customers and approximately 4,650 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 help 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 each 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 metal 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 a reusable leak and puncture-resistant container, made from recycled plastic, which we call the Steri-Tub â 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 â 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 typically 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 landfill operated by parties unaffiliated with us. After the plastic containers such as Steri-Tub â containers 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, or DOT, 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 1,000 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 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^{SM} OSHA Compliance Programs, 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 service for small account customers who typically lack the internal personnel and systems to comply with OSHA bloodborne regulations. Customers for our Steri-Safe ^{SM} service 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 the implementation of our Steri-Safe ^{SM} service 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 4,650 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.

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 4% 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, or 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., or 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 49.0%, and in July 2000, we acquired a further 15.0% to give us a 64.0% interest in the joint venture. In August 2001, Medam completed the acquisition of Mexico City-based medical waste management company, Tecnicas Medio Ambientales Winco S.A. de C.V.

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 the Sante Fe Province.

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.

In August 2001, we concluded an agreement with SteriCorp Limited, an Australian company, under which we provided financing to SteriCorp through the purchase of convertible notes, licensed to it our ETD technology for use in Australia, New Zealand, Malaysia, Indonesia and Thailand and agreed to sell to it an ETD processing line and assist in its installation.

Treatment Technologies

We currently use both non-incineration technologies (our proprietary ETD technology and autoclaving) and incineration technologies for treating regulated medical waste. Our current capacity to treat regulated medical waste is approximately divided between these treatment methods in the following percentages:

non-incineration	82%
incineration	18%

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. 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 ° 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. DOT 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 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 11 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.

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; and
- 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, or 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. 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, or 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 permits from the U.S. Postal Service to conduct our "mail-back" programs, 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 and Argentina through joint ventures. We believe that our joint venture operations 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 ten 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 Australia, Canada, France, Hong Kong, Hungary, Mexico, Russia, South Korea and the United Kingdom.

The term of the first-to-end of our existing United States patents relating to our ETD treatment process will currently end in October 2009.

We own federal registrations of the trademarks "Steri-Fuel®," "Steri-Plastic®," and "Steri-Tub®," the service mark Stericycle® and a service mark consisting of a nine-circle design. 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 of our trademarks, service marks or trade names could result in the loss of any goodwill associated with that trademark, service mark or trade name and could entail significant expense.

There can be no assurance that any pending or future patent applications will be granted, that any issued patents will provide us with competitive advantages, or that our patents will not be challenged by other parties. In addition, there can be no assurance that other companies will not develop similar processes or avoid our patents. Litigation or administrative proceedings may be necessary to enforce the patents issued to us or to determine the scope and validity of others' proprietary rights. Any litigation or administrative proceeding could result in substantial cost to us and distraction of our management. A ruling against us in any litigation or administrative proceeding could have a material adverse effect on our business.

Our commercial success may also depend on our not infringing patents issued to other parties. There can be no assurance that patents belonging to other parties will not require us to alter our processes, pay licensing fees or cease using any current or future processes. In addition, there can be no assurance that we would be able to license the technology rights that we may require at a reasonable cost or at all. If we could not obtain a license to any infringing technology that we currently use, it could have a material adverse effect on our business.

We also rely on unpatented and unregistered trade secrets, 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.

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; or

- 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.

Employees

As of December 31, 2001, we had 2,532 full-time and 51 part-time employees (including employees of our subsidiaries). Approximately 230 of our drivers, transportation helpers and plant workers 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 June 2003 to December 2004. We consider our employee relations to be satisfactory.

Item 2. Facilities

We lease office space for our corporate offices in Lake Forest, Illinois. We own or lease four ETD treatment facilities, seven incineration facilities, 21 autoclave facilities and four facilities that use a combination of these methods or other methods. All of our treatment facilities also serve as collection sites. We own or lease 94 additional transfer and collection sites (including seven sites owned or leased by 3CI) and seven additional sales/administrative sites. 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 Company's stockholders during the fourth quarter of 2001.

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	46
Richard T. Kogler	Executive Vice President and Chief Operating Officer	42
Frank J.M. ten Brink	Executive Vice President and Chief Financial Officer	45

Anthony J. Tomasello	Executive Vice President and Chief Technical Officer	55

Mark C. Miller has served as our 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 Ventana Medical Systems, Inc. and 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 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.

Frank J.M. ten Brink has served as our Vice President, Finance 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.

Anthony J. Tomasello has served as our Executive Vice President 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.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

As of March 22, 2002, we had approximately 237 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 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
First quarter 2001	47.000	26.000
Second quarter 2001	51.870	38.480
Third quarter 2001	52.990	33.700
Fourth quarter 2001	62.850	40.800

We did not pay any dividends during 2001 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,				
	1997	1998	1999	2000	2001
Statements of Operations Data (1)					
Revenues	$ 46,166	$ 66,681	$ 132,848	$ 323,722	$ 359,024
Income from operations	1,386	6,424	12,284	63,466	73,294
Net income	1,430	5,713	13,968	14,511	14,710
Net income applicable to Common Stock	1,430	5,713	13,628	11,968	12,168
Diluted net income per share of Common Stock	0.13	0.51	0.92	0.72	0.70
Depreciation and amortization	3,078	4,064	9,879	23,469	25,234
EBITDA (3)	$ 4,464	$ 10,489	$ 22,728	$ 86,512	$ 97,395
Balance Sheet Data (at December 31) (1)					
Cash, cash equivalents and short-term investments	$ 5,374	$ 1,819	$ 19,629	$ 2,947	$ 13,017
Total assets	61,226	97,755	595,786	597,982	614,530
Long-term debt, net of current maturities	3,475	23,460	355,444	345,104	267,365
Convertible redeemable preferred stock	--	--	69,195	71,437	44,872
Shareholders' equity	$ 45,026	$ 53,651	$ 118,114	$ 134,700	$ 232,510

(1) See Note 4 to the Consolidated Financial Statements for information concerning our acquisitions during the three years ended December 31, 2001.

(2) See Note 11 to the Consolidated Financial Statements for information concerning the computation of net income per common share. In 1999 net income includes acquisition-related charges of $4.8 million net of tax and a tax benefit of $6.3 million which positively impacted earnings per share ("EPS") by $0.30 per share. In 2000 net income includes acquisition- related charges of $2.7 million net of tax which negatively impacted EPS by $0.14 per share. In 2001 net income includes acquisition-related charges of $0.2 million after tax, fixed asset write offs of $2.0 million net of tax and extraordinary items, related to debt restructuring and subordinated debt repurchase, of $7.3 million net of tax which negatively impacted EPS by $0.45 per share. Of the $9.5 million of one-time items in the year ended December 31, 2001, $5.5 million were non-cash items.

(3) Calculated for any period as the sum of net income, plus net interest expense, income tax expense, depreciation expense and amortization expense. EBITDA includes acquisition-related charges of $8.0 million, $4.5 million, $0.4 million for the years ended December 31, 1999, 2000 and 2001, respectively and write-offs of fixed assets of $3.3 million for the year ended December 31, 2001. 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 in the same way by all companies and therefore may not be comparable to similarly titled measures reported by other companies. EBITDA is not a measure in accordance with accounting principles generally accepted in the United States. 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. The funds depicted by this measure may not be available for management's discretionary use due to legal or functional requirements, debt service, other commitments and uncertainties.

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 $359.0 million in 2001. We derive our revenues from services to two principal types of customers: (i) outpatient clinics, medical and dental offices, biomedical companies, municipal entities, long-term and sub-acute care facilities 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, 2001, we served over 269,000 customers.

Critical Accounting Policies and Procedures

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires that we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities (see Note 1 to the consolidated financial statements). We believe that of our significant accounting policies (see Note 2 to the consolidated financial statements), the following may involve a higher degree of judgment on our part and complexity of reporting.

Accounts Receivable. Accounts receivable consist primarily of amounts due to us from our normal business activities. We maintain an allowance for doubtful accounts to reflect the expected uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. No single customer accounts for more than 1% of our revenues.

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 using the cost-to-cost method. We routinely review total estimated costs to complete each contract and revise the estimated gross margin on the contract as necessary. Payments received in advance are deferred and recognized over the related service period.

Goodwill and Other Identifiable Intangible Assets. Goodwill associated with the excess purchase price over the fair value of assets acquired and other identifiable intangible assets, such as assembled workforce and covenants not to compete, are currently amortized on the straight- line method over their estimated useful lives. These assets are currently reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable-(see Note 8 to the consolidated financial statements).

Insurance. Our insurance for worker's compensation, vehicle liability and physical damage, and employee-related health care benefits are covered using high deductible insurance polices. A third- party administrator is used to process all such claims. We require all worker's compensation claims to be reported within 24 hours. As a result, we accrue our worker's compensation liability based upon the claim reserves established by the third-party administrator each month. Our employee health insurance benefit liability is based on our historical claims experience rate. To the extent actual claims vary from historical experience, our earnings would be impacted. We review our accruals associated with the exposure to these liabilities for adequacy at the end of each reporting period.

Year Ended December 31, 2001 Compared to Year Ended December 31, 2000

The following summarizes (in thousands) our operations:

	Year Ended December 31,			
	2001		2000	
Revenues	$ 359,024	100.0%	$ 323,722	100.0%
Cost of revenues	215,959	60.2%	196,345	60.7%
Gross profit	143,065	39.8%	127,377	39.3%
Selling, general and administrative	66,086	18.4%	59,457	18.4%
Income from operations before acquisition related costs and write offs	76,979	21.4%	67,920	21.0%
Acquisition related costs	356	0.1%	4,454	1.4%
Write off fixed assets	3,329	0.9%		
Income from operations	73,294	20.4%	63,466	19.6%
Income before income taxes and extraordinary item	22,019	6.1%	14,511	4.5%
Extraordinary item- debt financing, net of tax	(7,309)	-2.0%	--	--
Net income	14,710	4.1%	14,511	4.5%
Depreciation and amortization	25,234	7.0%	23,469	7.2%
EBITDA	$ 97,395	27.1%	$ 86,512	26.7%
Earnings per share - Diluted before extraordinary item	$ 1.04		$ 0.72	
Extraordinary item-debt refinancing	(0.34)		--	
Earnings per share--diluted	$ 0.70		$ 0.72	

Revenues. Our revenues increased $35.3 million, or 10.9%, to $359.0 million during the year ended December 31, 2001 from $323.7 million during the year ended December 31, 2000 as we 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 $7.7 million during 2001 as compared to $7.2 million during 2000. During 2001, acquisitions contributed approximately $6.9 million to the increase in our revenues from 2000. For the year, internal growth for small account customers increased approximately 9.0% while revenues from large account customers increased by approximately 4.8%.

Cost of Revenues. Our cost of revenues increased $19.7 million or 10.0%, to $216.0 million during the year ended December 31, 2001, from $196.3 million during the year ended December 31, 2000. The increase was primarily due to the increase in revenues during 2001 compared to 2000 and to the increase in cost of equipment sold internationally. Our gross margin percentage increased to 39.8% during 2001 from 39.3% during 2000 as we increased utilization of treatment capacity, had lower costs relating to the changing mix of small account versus large account customers and had reduced energy costs, which were offset by higher insurance costs.

Selling, General and Administrative Expenses Our selling, general and administrative expenses increased to $66.1 million during the year ended December 31, 2001, from $59.5 million during the year ended December 31, 2000. This increase was primarily a result of increased marketing expenses related to the Steri-Safe^{SM} program and higher insurance costs. Bad debt expense increased during 2001 to $1.8 million from $1.6 million in 2000. Selling, general and administrative expenses as a percentage of revenue remained constant at 18.4% during 2001 as compared to 2000. Excluding amortization, selling, general and administrative expenses as a percent of revenue increased to 14.5% during 2001 from 14.1% during 2000.

Acquisition-related costs. During the year ended December 31, 2001 we incurred integration and other non-recurring acquisition costs of $0.4 million as compared to $4.5 million during the year ended December 31, 2000. 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 $0.5 million in acquisition-related expenses during the year ended December 31, 2002.

Income from Operations. Income from operations increased to $73.3 million during the year ended December 31, 2001 from $63.5 million during the year ended December 31, 2000. The increase was due to higher revenues and lower acquisition-related costs, offset by higher costs of revenues, selling, general and administrative expenses and the write off of fixed assets related to our 3CI subsidiary during the period. Income from operations as a percentage of revenue increased to 20.4% during the year ended December 31, 2001 from 19.6% during the same period in 2000 as a result of productivity improvements and the factors described above.

EBITDA. EBITDA increased by 12.6% to $97.4 million or 27.1% of revenues for the year ended December 31, 2001, as compared to $86.5 million or 26.7% of revenues for the year ended December 31, 2000. The increase in EBITDA is primarily due to the factors described above.

Interest Expense and Interest Income. Interest expense decreased to $35.4 million during the year ended December 31, 2001, from $39.8 million during the year ended December 31, 2000, primarily due to lower debt levels and lower interest rates during the year. Interest income decreased to $0.4 million during 2001, from $0.6 million during 2000, primarily due lower cash balances and lower interest rates throughout the year.

Income tax expense. Income tax expense for the year ended December 31, 2001 reflects an effective tax rate of approximately 40.0% for federal and state income taxes.

Extraordinary Item. During the year ended December 31, 2001 we refinanced our senior credit facility and successfully completed an offering of 1,025,000 shares of common stock. The net proceeds of the offering were used to repay $43.8 million of senior subordinated notes. As a result, we incurred certain one-time cash and non-cash pre-tax charges as follows (in thousands):

	Cash	Non-Cash	Total
Redemption premium upon prepayment of senior subordinated notes...............	$ 5,416	$ --	$ 5,416
Senior credit facility refinancing fees.......	957	--	957
Accelerated amortization of finance fees associated with senior subordinated notes..	--	1,451	1,451
Accelerated amortization of finance fees associated with bank debt financing...	--	4,408	4,408
	$ 6,373	$ 5,859	$ 12,232

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%	86,123	64.8%
Gross profit..................................	127,377	39.3%	46,725	35.2%
Selling, general and administrative...........	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	$ 86,512	26.7%	$ 22,728	17.1%
Earnings per share--diluted	$ 0.72		$ 0.92	

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 BFI's medical waste business in November 1999 and we 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 $6.6 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 medical waste business 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. Bad debt expense increased during 2000 to $1.6 million from $0.8 million in 1999 as a result of increased sales. 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 ended 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.

Income from Operations. Income from operations increased to $63.5 million during the year ended December 31, 2000 from $12.3 million during the year ended December 31, 1999. The increase was due to higher revenues and lower acquisition-related costs, offset by higher costs of revenues and selling, general and administrative expenses during the period. Income from operations as a percentage of revenue increased to 19.6% during the year ended December 31, 2000 from 9.2% during the same period in 1999 as a result of productivity improvements and lower acquisition-related costs relative to the BFI acquisition.

EBITDA. EBITDA increased by 280.6% to $86.5 million or 26.7% of revenues for the year ended December 31, 2000, as compared to $22.7 million or 17.1% 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 $0.6 million during 2000, from $1.1 million during 1999, primarily due lower cash balances throughout the year.

Income tax expense. Income tax expense 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.

Liquidity and Capital Resources

In November 1999, we completed the acquisition of BFI's medical waste business 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 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 secured credit facility that we established with DLJ Capital Funding, Inc. and affiliate of Credit Suisse First Boston Corporation, Bankers Trust Company and Bank of America, N.A.; (ii) $125.0 million in proceeds from the sale of our 12 3/8% senior subordinated notes due November 2009; (iii) $75.0 million in proceeds from the issuance of new Series A convertible preferred stock to certain investment funds associated with Bain Capital, LLC and Madison Dearborn Partners, LLC. These transactions were completed concurrently with the completion of our acquisition of BFI's medical waste business. 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.

On October 10, 2001, we refinanced our senior secured credit facility to increase our revolving credit facility and extend its maturity, reallocate the term loan A and B components of the facility and extend their maturities, and reduce the interest rates that we are charged. Under the amendment and restatement of our existing credit agreement, we increased our revolving credit facility from $50.0 million to $80.0 million and extended its maturity from November 11, 2005 to September 30, 2006. We also reallocated the term loan components of the credit facility, increasing the lower-interest Term A component form $75.0 million to $100.0 million and extending its maturity from November 11, 2005 to September 30, 2006, and reducing the higher-interest Term B component from $150.0 million to $75.0 million and extending its maturity from November 10, 2006 to September 30, 2007. Both term loans will be repaid in quarterly installments on the last business day of March, June, September, and December beginning on January 1, 2002.

The refinancing of our senior secured credit facility reduces the interest rates that we are charged by reducing the applicable margin added to the relevant interest rate. Our borrowings continue to bear interest at fluctuating interest rates determined, at our election in advance for any quarterly or other applicable interest period, by reference to (i) a "base rate" (the higher of the reference rate at Bank of America, N.A. or 0.5% above the rate on overnight federal funds transactions) or (ii) the London Interbank Offered Rate, or LIBOR, plus, in either case, the applicable margin within the relevant range of margins provided in the credit agreement. The applicable margin is based upon our leverage ratio. At December 31, 2001 the margin for interest rates on borrowings under our revolving credit facility and the Term A component is 0.75% on base rate loans and 1.75% on LIBOR loans, and the margin for interest rates on borrowings under the Term B component is 1.50% on base rate loans and 2.50% on LIBOR loans.

Our amended and restated credit facility is secured by a lien on substantially all of our assets and all of the assets of our subsidiaries (except for the assets of 3CI) and by a pledge of all of the stock of our wholly-owned domestic subsidiaries, all of our stock in 3CI and Medam, and 65% of our stock in Med-Tech. The amended and restated credit facility also requires us to comply with various financial, reporting and other covenants and restrictions, including a restriction on dividend payments. As of December 31, 2001, we had $190.0 million of borrowings outstanding under our senior secured credit facility.

Dividends on our Series A convertible preferred stock are payable in kind in additional shares of convertible preferred stock and accrue at the annual rate of 3.375%, subject to adjustment.

At December 31, 2001, our working capital was $34.6 million compared to working capital of $47.9 million at December 31, 2000. The decrease in working capital is primarily due to lower account receivable and higher accrued liability balances. As noted, we have available a $80.0 million revolving line of credit under our senior secured credit facility which is secured by our accounts receivable and all of our other assets. At December 31, 2001 we had $15.0 million borrowed under this line.

Net cash provided by operating activities was $64.6 million during the year ended December 31, 2001 compared to $10.5 million for the comparable period in 2000. This increase primarily reflects better collections of accounts receivable in 2001 compared to 2000 and higher accrued liability and deferred revenue balances, and higher depreciation and amortization expenses partially offset by a lower accounts payable balance and higher other asset balances.

Net cash used in investing activities for the year ended December 31, 2001 was $36.7 million compared to $15.6 million for the comparable period in 2000. This increase is primarily attributable to the increase in capital expenditures and investments in international joint ventures. Capital expenditures were $15.4 million for the year ended December 31, 2001, primarily for upgrades to our incinerator treatment facilities, compared to $11.6 million for the same period in 2000. This rate of capital spending is within the 4-5% of revenues that we anticipated spending during 2001. After the upgrades are completed we will have 15-20% of our treatment capacity in incineration and 80-85% in non-incineration technologies such as our proprietary ETD technology and autoclaving. Investments in acquisitions and international joint ventures for the year ended December 31, 2001 were $21.3 million versus $4.5 million in the comparable period in 2000.

Net cash used in financing activities was $17.8 million during the year ended December 31, 2001 compared to $11.5 million for the comparable period in 2000. In November 2001 we completed a public offering of 1,025,000 shares of common stock. We received proceeds of $49.0 million from the offering, net of offering expenses. We used the proceeds to repay 35% or $43.8 million of our senior subordinated notes due November 2009 and an additional $5.4 million prepayment premium. During 2001 we made repayments of $38.6 million in debt and capital leases which consisted of $5.2 million in scheduled repayments and $33.4 million in prepayments.

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 balance of $0.8 million as of December 31, 2001 at a fixed interest rate of 6.5% are due 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 Co., Inc. acquisition, which had an outstanding balance of $1.4 million at December 31, 2001.

The table below displays our future contractual cash commitments.

Payments due by period (in thousands)	Total	Less than 1 year	1-3 years	4 - 5 years	After 5 years
Long term debt	$ 276,279	$ 11,656	$ 38,047	$ 57,110	$ 169,466
Capital lease obligations	3,719	1,013	1,552	990	164
Operating leases	45,311	12,541	19,910	9,241	3,619
Total contractual cash obligations	$ 325,309	$ 25,210	$ 59,509	$ 67,341	$ 173,249

We anticipate that our operating cash flow, together with borrowings under our senior secured credit facility, will be sufficient to meet our anticipated future operating expenses, capital expenditures and debt service obligations as they become due and for the next 12 months and the foreseeable future.

Recently Issued Accounting Standards

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the statements. Other intangible assets will continue to be amortized over their useful lives.

We will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the statements is expected to result in an increase in net income of $6.8 million ($0.32 per diluted share) per year. During 2002, we will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002, but we have not yet determined what the effect of these tests will be on our earnings and financial position.

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

We are subject to market risks arising from changes in interest rates on our senior secured credit facility. Our interest rate exposure results from changes in LIBOR or the base rate which are used to determine the applicable interest rates under our term loans and revolving credit facility. Our potential loss over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately $0.2 million. Fluctuations in interest rates will not affect the interest payable on our senior subordinated notes, which is fixed.

We have entered into interest rate swap/collar agreements that effectively convert a portion of our floating-rate debt to a fixed-rate basis for the next two years, thus reducing the impact of interest rate changes on future interest expense. Approximately 92% ($175 million) of our outstanding variable rate debt was covered by interest rate swap/collar agreements at December 31, 2001. The differential to be paid or received is accrued monthly as an adjustment to interest expense.

Item 8. Financial Statements and Supplemental Data

Report of Independent Public Auditors

The Board of Directors
Stericycle, Inc.

We have audited the accompanying consolidated balance sheets of Stericycle, Inc. and Subsidiaries as of December 31, 2000 and 2001, 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, 2001. 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, 2000 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, 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.

As discussed in Note 2 to the consolidated financial statements, in 2001 the Company changed its accounting for derivative financial instruments.

/s/ Ernst & Young LLP

Chicago, Illinois
February 15, 2002

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

	December 31, 2000	December 31, 2001
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,666	$ 12,737
Short-term investments	281	280
Accounts receivable, less allowance for doubtful accounts of $3,625 in 2000 and $3,106 in 2001	71,225	65,300
Parts and supplies	3,216	6,044
Prepaid expenses	1,858	2,457
Other	11,765	11,175
Total current assets	91,011	97,993
Property, plant and equipment:		
Land	7,486	7,596
Buildings and improvements	26,565	28,075
Machinery and equipment	54,040	65,409
Office equipment and furniture	6,515	10,458
Construction in progress	3,834	5,193
	98,440	116,731
Less accumulated depreciation	(24,532)	(33,995)
Property, plant and equipment, net	73,908	82,736
Other assets:		
Goodwill, less accumulated amortization of $24,507 in 2000 and $36,559 in 2001	418,790	422,652
Other	14,273	11,149
Total other assets	433,063	433,801
Total assets	$ 597,982	$ 614,530
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long term debt	$ 5,097	$ 12,633
Accounts payable	14,444	13,317
Accrued liabilities	23,067	32,509
Deferred revenue	505	4920
Total current liabilities	43,113	63,379
Long-term debt, net of current portion	345,104	267,365
Other liabilities	3,628	6,404
Redeemable preferred stock:		
Series A convertible preferred stock (par value $.01 per share, 75,000 shares authorized and outstanding in 2000, 45,405 shares outstanding in 2001, liquidation preference of $77,883 at December 31, 2000 and $48,735 at December 31, 2001)	71,437	44,872
Common shareholders' equity:		
Common stock (par value $.01 per share, 30,000,000 shares authorized, 15,208,866 issued and outstanding in 2000, 18,539,950 issued and outstanding in 2001)	152	185

Additional paid-in capital	141,304	230,909
Accumulated other comprehensive loss	--	(3,996)
Retained earnings (accumulated deficit)	(6,756)	5,412
Total shareholders' equity	134,700	232,510
Total liabilities and shareholders' equity	$ 597,982	$ 614,530

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

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

	Year Ended December 31,		
	1999	2000	2001
Revenues	$ 132,848	$ 323,722	$ 359,024
Costs and expenses:			
Cost of revenues	86,123	196,345	215,959
Selling, general and administrative	26,480	59,457	66,086
Write off of fixed assets	--	--	3,329
Acquisition related costs	7,961	4,454	356
Total costs and expenses	120,564	260,256	285,730
Income from operations	12,284	63,466	73,294
Other income (expense):			
Interest income	1,144	558	366
Interest expense	(6,195)	(39,785)	(35,417)
Other income, net	565	(423)	(1,495)
Total other income (expense)	(4,486)	(39,650)	(36,546)
Income before income taxes and extraordinary item	7,798	23,816	36,748
Income tax expense (benefit)	(6,170)	9,305	14,729
Income before extraordinary item	$ 13,968	$ 14,511	$ 22,019
Extraordinary loss on debt refinancing (net of tax of $4,923)	--	--	(7,309)
Net Income (loss)	13,968	14,511	14,710
Earnings per share - Basic before extraordinary item	0.96	0.8	1.22
Extraordinary item-debt refinancing	--	--	(0.46)
Earnings per share - Basic	$ 0.96	$ 0.80	$ 0.76
Earnings per share - Diluted before extraordinary item	$ 0.92	$ 0.72	$ 1.04
Extraordinary item-debt refinancing	--	--	(0.34)
Earnings per share - Diluted	$ 0.92	$ 0.72	$ 0.70
Weighted average number of common shares outstanding - Basic	14,240,084	14,879,103	15,908,895
Weighted average number of common shares outstanding - Diluted	15,241,778	20,092,844	21,100,381

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, 1999	2000	2001
OPERATING ACTIVITIES:			
Net income	$ 13,968	$ 14,511	$ 14,710
Adjustments to reconcile net income to net cash provided by operating activities:			
Stock compensation expense	192	160	95
Write off of fixed assets	--	--	3,329
Write off of deferred financing costs	--	--	5,859
Ineffective portion of cash flow hedges	--	--	384
Tax benefit of disqualifying dispositions of stock options	--	1,059	1,697
Depreciation and amortization	9,879	23,469	25,234
Deferred income taxes	(7,119)	4,980	9,085
Change in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(31,595)	(21,979)	6,741
Parts and supplies	526	(881)	(2,743)
Prepaid expenses and other assets	(1,439)	(4,593)	(4,776)
Accounts payable	7,845	66	(1,127)
Accrued liabilities	21,556	(6,686)	1,647
Deferred revenue	(2,036)	363	4,415
Net cash provided by operating activities	11,777	10,469	64,550
INVESTING ACTIVITIES:			
Payments for acquisitions and international investments, net of cash acquired	(422,280)	(4,516)	(21,262)
Proceeds from maturity of short-term investments	447	502	1
Capital expenditures	(3,795)	(11,586)	(15,412)
Net cash used in investing activities	(425,628)	(15,600)	(36,673)
FINANCING ACTIVITIES:			
Net proceeds from and (repayment of) bank lines of credit	(16,359)	5,000	12,171
Net proceeds from and (repayment of) subordinated debt	(2,750)	--	--
Proceeds from long term bank debt	225,000	--	--
Repayments of senior subordinated debt	--	--	(43,750)
Proceeds from senior subordinated debt	125,000	--	--
Repayment of long term debt	(4,366)	(16,428)	(37,099)
Payments of deferred financing costs	(10,828)	(631)	(173)
Principal payments on capital lease obligations	(290)	(1,487)	(1,525)
Net proceeds from public offering of common stock	47,158	--	49,005
Net proceeds from (payments related to) issuance of preferred stock	68,855	(300)	--
Proceeds from other issuances of common stock	492	2,299	3,565
Net cash provided by (used in) financing activities	431,912	(11,547)	(17,806)
Net increase (decrease) in cash and cash equivalents	18,061	(16,678)	10,071
Cash and cash equivalents at beginning of period	1,283	19,344	2,666
Cash and cash equivalents at end of period	$ 19,344	$ 2,666	$ 12,737
Non-cash activities:			
Net issuances of notes payable for certain acquisitions	$ 103	$ 250	$ --
Net issuances of common stock and warrants for certain acquisitions	$ 3,043	$ 1,260	$ 6,250

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, 1999, 2000 and 2001
(in thousands)

	Issued and Outstanding Shares	Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Other Comprehensive Income	Total Shareholders' Equity
Balances at December 31, 1998	10,866	$ 109	$ 85,894	$ (32,352)	$ --	$ 53,651
Issuance of common stock for exercise of options and warrants and employee stock purchases	148	1	633	--	--	634
Common stock issued for acquisitions	220	2	3,041	--	--	3,043
Public offering of common stock (net of offering costs)	3,500	35	47,123	--	--	47,158

Preferred dividends................	--	--	--	(340)	--	(340)
Net income.........................	--	--	--	13,968	--	13,968
Balances at December 31, 1999......	14,734	147	136,691	(18,724)	--	118,114
Issuance of common stock for exercise of options and warrants and employee stock purchases........................	449	5	2,294	--	--	2,299
Common stock and warrants issued for acquisitions..........	26	--	1,260	--	-- --	1,260
Tax benefit of disqualifying dispositions of stock options..........................	--	--	1,059	--	--	1,059
Preferred dividends................	--	--	--	(2,543)	--	(2,543)
Net income.........................	--	--	--	14,511	--	14,511
Balances at December 31, 2000......	15,209	152	141,304	(6,756)	--	134,700
Issuance of common stock for exercise of options and warrants and employee stock purchases........................	363	4	3,656	--	--	3,660
Public offering of common stock (net of offering costs)...........................	1,025	10	48,995		--	49,005
Conversion of Preferred Stock	1,806	18	29,008	--	--	29,026
Common stock and warrants issued for acquisitions..........	137	1	6,249	--	--	6,250
Tax benefit of disqualifying dispositions of stock options..........................	--	--	1,697	--	--	1,697
Preferred dividends................	--	--	--	(2,542)	--	(2,542)
Currency translation adjustment....				--	(10)	(10)
Change in fair value of cashflow hedge............................				--	(3,986)	(3,986)
Net income.........................	--	--	--	14,710	--	14,710
Comprehensive income						10,714
Balances at December 31, 2001......	18,540	$ 185	$ 230,909	$ 5,412	$ (3,996)	$ 232,510

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

STERICYCLE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2001

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 as well as our 64% ownership in Medam S.A. de C.V. (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 Evertrade Medical Waste (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 using the cost to cost method. Payments received in advance are deferred and recognized over the related service period.

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

During the year ended December 31, 2001 we recorded a write-down of idled treatment equipment at our majority-owned subsidiary, 3CI Complete Compliance Corporation, Inc. (`3CI') of $3.3 million.

Goodwill:

Goodwill, for acquisitions completed prior to June 30, 2001, is amortized using the 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 1999, 2000 and 2001 related to goodwill was approximately $4.3 million, $13.7 million and $13.9 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, 2001, 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. We have capitalized the costs associated with Title V permitting as part of the related capital spending.

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 account 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. An example of some areas where we make estimates include bad debt allowance, employee health and welfare benefits, and auto and workers' compensation insurance claims. Such estimates are based on historical trends and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from our estimates.

Derivative Instruments:

Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activity." (SFAS No. 133). 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. The initial adoption of SFAS No. 133 did not have a material impact on us. Upon termination of interest rate agreements, any resulting gain or loss is recognized over the shorter of the remaining original term of the hedging instrument or the remaining life of the underlying debt obligation.

Foreign Currency Translation:

Assets and liabilities of foreign affiliates that use the local currency as their functional currency are translated at current exchange rates, and income statement accounts are translated at the average rates during the period. Related translation adjustments are reported as a component of comprehensive income directly in equity.

Reclassifications:

Certain amounts in the 1999 and 2000 financial statements have been reclassified to conform to the 2001 presentation.

Note 3-Income Taxes

At December 31, 2001, we had net operating loss carryforwards for federal income tax purposes of approximately $12.2 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 $.6 million available indefinitely as well as a foreign tax credit of approximately $2.3 million which will begin to expire be in 2004.

Significant components of our income tax expense (benefit) for the years ended December 31, 1999, 2000 and 2001 are as follows (in thousands):

	1999	2000	2001
Deferred			
Federal..........	$ (6,015)	$ 4,450	$ 8,104
State...........	(1,104)	530	981
	(7,119)	4,980	9,085
Current			
Federal..........	$ 100	$ 3,165	$ 4,756
State...........	849	1,160	888
Total Provisions...	$ (6,170)	$ 9,305	$ 14,729

A reconciliation of the income tax provision computed at the federal statutory rate to the effective tax rate for the years ended December 31, 1999, 2000 and 2001 is as follows:

	1999	2000	2001
Federal statutory income tax rate.........	34.0 %	35.0 %	35.0 %
Effect of:			
State taxes, net of federal tax effect..	7.6 %	5.0 %	4.0 %
Non deductible goodwill amortization....	3.9 %	0.4 %	1.1 %
Change in valuation allowance...........	(126.9)%	(1.2)%	-- %
Other....................................	2.3	(0.1)	(0.1)
Effective tax rate.......................	(79.1)%	39.1 %	40.0 %

Cash payments for income taxes were $2.0 million in each of 1999, 2000 and 2001.

Our deferred tax liabilities and assets as of December 31, 2000 and 2001 are as follows (in thousands):

	2000	2001
Deferred tax liabilities:		
Property, plant, and equipment............	$ (3,085)	$ (1,661)
Goodwill..................................	(6,861)	(14,083)
Other.....................................	(2,127)	(69)
Total deferred tax liabilities.............	(12,073)	(15,813)
Deferred tax assets:		
Accrued liabilities.......................	3,807	2,886

Other	2,291	2,272
Net operating tax loss carryforward	16,378	12,378
Alternate minimum tax credit carryforward	324	569
Total deferred tax assets	22,800	18,105
Net deferred tax assets	10,727	2,292
Valuation allowance	(8,588)	(9,238)
Net deferred tax assets (liabilities)	$ 2,139	$ (6,946)

During the fourth quarter of 1999, we re-evaluated the estimated amount of valuation allowance required in light of the profitability achieved in 1998, 1999 and 2000 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, 2000 and 2001, the valuation allowance relates principally to the net operating loss carryforward at 3CI.

Note 4-Acquisitions

During the year ended December 31, 2001, we completed the acquisition of four domestic medical waste management businesses and our Mexican subsidiary, Medam S.A. de C.V., completed one acquisition. In April, we purchased the customer contracts and selected other assets of Trans Med Ltd., which operated in New York, New Jersey and Connecticut, and also the customer contracts and selected other assets of Bio-Safe America, Inc., which operated in Florida. In July, we acquired all of the stock of American Medical Disposal, Inc., which operated in Oklahoma, Nebraska and several other states, and in December, we acquired substantially all of the assets of Integrated Environmental Systems, Inc., which operated in California and Nevada. In August, Medam acquired all of the stock of Tecnicas Medio Ambientales Winco S.A. de C.V., which was a Mexico City based operation. The aggregate purchase price for these acquisitions was approximately $23.3 million, of which approximately $17.0 million was paid in cash and $6.3 million was paid by the issuance of unregistered shares of our common (which, pursuant to agreement, we subsequently registered for sale). In accordance with SFAS No. 142 "Goodwill and Other Intangible Assets", goodwill related to acquisitions completed subsequent to June 30, 2001 has not been amortized.

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.

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 13 - 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.

For financial reporting purposes these acquisition transactions were accounted for using the purchase method of accounting. The total purchase price for 1999, 2000 and 2001 of $424.4 million, $3.1 million and $23.3 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 1999, 2000, and 2001 acquisitions includes the value of, 220,058, 26,000 and 137,443 shares respectively, of our common stock issued to the sellers. In certain cases, the purchase price is subject to downwards adjustment if revenues from customer contracts acquired do not reach certain specified levels. 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. Goodwill was recorded in the amount of $11.5 million and $19.3 million during the years of 2000 and 2001 respectively. 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 BFI.

Note 5-Long Term Debt

Long term debt consists of the following at December 31:

	2000	2001
	(in thousands)	
Industrial development revenue bonds	$ 990	$ 825
Obligations under capital leases	4,749	3,719
Notes Payable to Bank	215,456	190,000
Senior Subordinated Debt	125,000	81,250
Notes Payable	4,006	4,204
	350,201	279,998
Less: Current Portion	5,097	12,633
Total	$ 345,104	$ 267,365

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 2017 at a fixed interest rate of 6.5% 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, 2001 are as follows:

	(in thousands)
2002	$ 11,656
2003	16,645
2004	21,402
2005	26,130
2006	30,980
Thereafter	169,466

The company paid interest of $2.2 million, $37.9 million and $33.8 million for the fiscal years ended December 31, 1999, 2000 and 2001, respectively.

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

	2000	2001
	(in thousands)	
Machinery and Equipment	$ 43	$ 43
Vehicles	5,741	5,741
Less--accumulated depreciation and amortization	(1,350)	(2,506)
	$ 4,434	$ 3,278

Minimum future lease payments under capital leases are as follows (in thousands):

2002	$ 1,235
2003	1,049
2004	844
2005	711
2006	496
Thereafter	195
Total minimum lease payments	4,530
Less amounts representing interest	(811)
Present value of net minimum lease payments	3,719
Less Current portion	945
Long-term obligations under capital leases	$ 2,774

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Senior Credit Facility

In November 1999, we established a senior secured credit facility under a credit agreement with various financial institutions. The facility consisted of a six-year revolving credit facility of $50.0 million, a six-year term loan A in the principal amount of $75.0 million and a seven-year term loan B in the principal amount of up to $150.0 million.

In October 2001, we refinanced our senior secured credit facility to increase the revolving credit component of the facility to $80.0 million and extend its maturity to September 2006 and to reallocate the term loan components of the facility, increasing the lower-interest Term A component to $100.0 million and extending its maturity to September 2006, and reducing the higher-interest Term B component to $75.0 million and extending its maturity to September 2007. As of December 31, 2001, we had $190.0 million of borrowings outstanding under our senior secured credit facility, of which $15.0 million consisted of borrowings under the revolving credit component.

The refinancing of our senior secured credit facility in October 2001 reduced the interest rates that we are charged by reducing the applicable margin added to the relevant interest rate. Our borrowings continue to bear interest at fluctuating interest rates determined, at our election in advance for any quarterly or other applicable interest period, by reference to (i) a "base rate" (the higher of the reference rate at Bank of America, N.A. or 0.5% above the rate on overnight federal funds transactions) or (ii) the London Interbank Offered Rate, or LIBOR, plus, in either case, the applicable margin within the relevant range of margins provided in our amended and restated credit agreement. The applicable margin is based upon our leverage ratio. As of December 31, 2001, the margin for interest rates on borrowings under our revolving credit facility and the Term A component was 0.75% on base rate loans and 1.75% on LIBOR loans, and the margin for interest rates on borrowings under the Term B component was 1.50% on base rate loans and 2.50% on LIBOR loans. At December 31, 2001, the rate of interest on the revolver was 3.68% per annum, the rate of interest on the term loan A was 4.24% per annum and the rate of interest on term loan B was 4.99% per annum.

Both term loans are repayable in quarterly installments on the last business day of March, June, September and December beginning in 2002. The annual required principal repayments under the term loan A component are $10.0 million in 2002, $15.0 million in 2003, $20.0 million in 2004, $25.0 million in 2005, and $7.5 million on each of the first two quarterly payment dates in 2006 and $15.0 million (or the outstanding balance) upon maturity in September 2006. The annual required principal payments under the term loan B component are $0.8 million during each of 2002 through 2006, and $17.8 million on each of the first two quarterly payments dates in 2007 and $35.6 million (or the outstanding balance) upon maturity in September 2007.

Our senior secured credit facility is secured by a lien on substantially all of our assets and all of the assets of our subsidiaries (except for the assets of 3CI Complete Compliance Corporation ("3CI")) and by a pledge of all of the stock of our wholly-owned domestic subsidiaries, all of our stock in 3CI and our Mexican subsidiary, Medam S.A. de C.V., and 65% of our stock in our Canadian subsidiary, Med-Tech Environmental Limited. The credit agreement requires us to comply with various financial, reporting and other covenants and restrictions, including a restriction on dividend payments.

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 these notes to the initial purchasers, we agreed to exchange their notes for substantially identical Series B notes registered under the Securities Act of 1933. This exchange was completed in January 2000, with the holders of all of 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 BFI acquisition in November 1999.

Our senior subordinated notes will mature on November 15, 2009. They bear a fixed rate of interest at 12-3/8% per annum, payable semiannually in arrears on each May 15 and November 15. The notes are general unsecured obligations, and are subordinated in payment to our debt under our senior secured credit facility.

In December 2001, we redeemed senior subordinated notes in the aggregate principal amount of $43.8 million. Under the trust indenture governing the notes, we had the right, on one or more occasions before November 15, 2002, to redeem up to 35% of the notes at a redemption price of 112.375% of the aggregate principal amount of notes redeemed, plus accrued interest to the redemption date, using the net cash proceeds from one or more equity offerings. We exercised this right in November 2001, using the net proceeds from the public offering of 1,025,000 shares of our common stock that we had completed earlier in the month, to redeem the maximum permissible amount of the notes.

We may not redeem any additional senior subordinated notes prior to November 15, 2004. We may then redeem all or any portion of the outstanding notes at a redemption price equal to the following percentages of the aggregate principal amount of notes redeemed, plus accrued interest to the redemption date:

Redemption During the Year Beginning November 15:	Percentage
2004	106.1875%

2005	104.1250%
2006	102.0625%
2007 and later	100.0000%

Under certain circumstances specified in the trust indenture, 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.

Our senior subordinated notes are guaranteed by all of our domestic subsidiaries except 3CI and our foreign subsidiaries. The trust indenture requires us to comply with various financial, reporting and other covenants and restrictions.

In connection with the refinancing of our senior secured credit facility and the redemption of our senior subordinated notes we recorded an extraordinary loss in the year ended December 31, 2001 which included the following (in thousands):

	Cash	Non-Cash	Total
Redemption premium upon prepayment of senior subordinated notes	$ 5,416	$ --	$ 5,416
Senior credit facility refinancing fees	957	--	957
Accelerated amortization of finance fees associated with senior subordinated notes	--	1,451	1,451
Accelerated amortization of finance fees associated with bank debt financing	--	4,408	4,408
	$ 6,373	$ 5,859	$ 12,232

Note 6 - Accrued Liabilities

Accrued liabilities at December 31, consist of the following items (in thousands):

	2000	2001
Accrued compensation	$ 3,887	$ 6,127
Accrued acquisition related expenses	3,766	637
Accrued interest	3,794	3,995
Accrued insurance	3,489	5,440
Deferred tax liability	--	3,753
Derivative instrument obligation	--	4,370
Accrued liabilities-other	8,131	8,187
Total accrued liabilities	$ 23,067	$ 32,509

Note 7-Derivative Instruments

We have entered into interest rate swap agreements that effectively convert a portion of our floating-rate debt to a fixed-rate basis for the next year, thus reducing the impact of interest rate changes on future interest expense. We have an interest rate swap agreement covering $100.0 million in principal at a 5.23% fixed interest rate expiring in January 2003 and an interest rate swap agreement covering $25.0 million in principal at a 5.19% fixed interest rate expiring in February 2003. We also entered into an interest rate collar agreement covering $50.0 million in principal reducing the impact of interest rate changes on future interest expense. This agreement expires in March 2002 and has an interest rate floor of 5.75% and an interest rate cap of 9.46%. Approximately 92% ($175 million) of our outstanding floating-rate debt was designated as hedged items to interest rate swap/collar agreements at December 31, 2001. The differential to be paid or received is accrued monthly as an adjustment to interest expense.

Adoption of this new accounting standard resulted in a $0.2 million effect of change in accounting principle, which has been recorded as other comprehensive loss. During the year ended December 31, 2001, we recognized a net loss of $0.4 million related to the ineffective portion of our hedging instruments in our interest expense.

Activity related to the accumulated loss on derivative instruments is as follows (in thousands):

Balance at January 1, 2001	$ --
Initial adoption of FAS 133	(225)
Change associated with current period hedge transactions	(4,145)
Amount reclassified into earnings	384
Balance at December 31, 2001	$ (3,986)

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Note 8-Adoption of New Accounting Standard

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment test in accordance with the Statements. Other intangible assets will continue to be amortized over their useful lives.

We will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the nonamortization provisions of the Statement is expected to result in an increase in net income of $6.8 million ($0.32 per diluted share) per year. During 2002, we will perform the first of the required impairment tests of goodwill and indefinite lived intangible assets as of January 1, 2002 and have not yet determined what the effect of these test will be on our earnings and financial position.

Note 9-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 1999, 2000, and 2001 was $0.7 million, $11.2 million and $12.2 million, 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, 2001 for each of the next five years and in the aggregate are as follows:

	(in thousands)
2002	$ 12,541
2003	11,077
2004	8,833
2005	6,842
2006	2,399
Thereafter	3,619
Total minimum rental payments	$ 45,311

Note 10-Acquisition Related Expenses

During the year ended December 31, 2001 we recorded $0.4 million of acquisition related expenses compared to $8.0 million and $4.5 million in the years ended December 31, 1999 and 2000.

The following table reflects the activity related to the 1999, 2000 and 2001 acquisition-related costs: (in thousands)

	Charges in 1999	Charges in 2000	Charges in 2001
Severance and closure costs	$ 3,373	$ 3,351	$ --
Transition expenses	1,659	1,103	356
Other non-recurring acquisition related costs	2,929	--	--
Total	$ 7,961	$ 4,454	$ 356

In 1999, 2000 and 2001, we paid approximately $3.8 million, $7.5 million, and $0.8 million of these acquisition-related expenses and, at December 31, 1999, 2000 and 2001, $4.2 million, $1.1 million and $0.3 million was accrued.

Note 11-Net Income per Common Share

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

	Year Ended December 31, 1999	2000	2001
	(in thousands, except (share and per share data)		
Numerator:			
Net income	$ 13,968	$ 14,511	$ 14,710
Preferred stock dividends	(340)	(2,543)	(2,542)
Numerator for basic earnings per share-			

	1999	2000	2001
income available to common stockholders....	$ 13,628	$ 11,968	$ 12,168
Effect of dilutive securities:			
Preferred stock dividends.............	340	2,543	2,542
Numerator for diluted earnings per share-income available to common stockholders after assumed conversions.................	$ 13,968	$ 14,511	$ 14,710
Denominator:			
Denominator for basic earnings per share-weighted-average shares....................	14,240,084	14,879,103	15,908,895
Effect of dilutive securities:			
Employee stock options.................	338,540	640,714	860,334
Warrants...............................	86,482	195,328	85,458
Convertible preferred stock............	576,672	4,377,699	4,245,694
Dilutive potential common shares...........	1,001,694	5,213,741	5,191,486
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions........................	15,241,778	20,092,844	21,100,381
Basic net income per share.................	$ 0.96	$ 0.80	$ 0.76
Diluted net income per share...............	$ 0.92	$ 0.72	$ 0.70

For additional information regarding outstanding employee stock options and outstanding warrants, see Note 12.

In 1999, 2000 and 2001, options and warrants to purchase 458,363 shares, 41,471 shares and 50,730 shares respectively, at exercise prices of $12.75-$18.13, $25.06-42.27, and $45.01-$47.34 respectively, were not included in the computation of diluted earnings per share because the effect would be antidilutive.

Note 12-Stock Options and Warrants

Stock Options

In 2000, our Board of Directors approved the 2000 Nonstatutory Stock Option Plan (the "2000 Plan"), which in total now provides for the granting of 750,000 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. 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, as amended, authorizes stock options for a total of 585,000 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 outstanding options and warrants. These shares, which include both shares available for option grant and shares granted as options but not yet exercised, have been reserved as follows at December 31, 2001:

1995 Plan options................................	391,950
1996 Directors Plan options......................	494,728
1997 Plan options................................	1,006,042
2000 Plan options................................	724,855
Warrants...	88,956
Total shares reserved......................	2,706,531

A summary of stock option information follows:

1999	2000	2001

	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year..	945,970	$ 8.37	1,572,359	$ 11.22	1,640,958	$ 14.66
Granted......................	840,579	$ 12.91	583,106	$ 20.63	575,389	$ 33.43
Exercised....................	(146,419)	$ 2.36	(358,249)	$ 9.57	(307,983)	$ 11.89
Cancelled/Forfeited..........	(67,771)	$ 11.36	(156,258)	$ 13.97	(85,351)	$ 13.68
Outstanding at end of year........	1,572,359	$ 11.22	1,640,958	$ 14.66	1,823,013	$ 20.76
Exercisable at end of year........	448,948	$ 8.49	532,518	$ 11.46	641,538	$ 16.04
Available for future grant........	662,013		734,600		794,562	

Options outstanding and exercisable as of December 31, 2001 by price range:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	Shares	Outstanding Average Remaining Life In Years	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
$0.53-$10.25	183,616	4.22	$ 7.79	166,400	$ 7.76
$10.81-$12.75	413,346	7.42	$ 12.73	126,645	$ 12.70
$13.25-$20.25	600,259	7.44	$ 18.06	267,677	$ 16.86
$20.69-$47.34	625,792	9.01	$ 32.45	80,816	$ 35.61
	1,823,013	7.65	$ 20.76	641,538	$ 16.04

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 approximates 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 1999, 2000 and 2001 were valued using the Black-Scholes option pricing model. Options granted in 1996 and 1995, when we were not a public company, were valued using the minimum value method. The following assumptions were used in 1999, 2000 and 2001: expected volatility of 0.62 in 1999, 0.61 in 2000 and 0.62 in 2001; risk-free interest rates ranging from 4.83% to 6.73% in 1999, 5.02% to 6.69% in 2000, and 3.38% to 5.46% in 2001; 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 1999, 2000 and 2001 were $7.27 per share, $10.18 per share, and $15.97 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,		
	1999	2000	2001
Pro forma net income.......	$ 11,860	$ 10,585	$ 9,189
Pro forma net income per share-diluted............	$ 0.78	$ 0.53	$ 0.44

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. In 1999, 2000 and 2001, warrants to purchase 35,940 shares, 178,794 shares and 11,302 shares respectively were exercised. All the warrants were exercised prior to expiration.

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 2001, warrants to purchase 6,898 shares at $14.50 per share, 19,356 shares at $15.50 per share, and 18,182 shares at $16.50 per share, were exercised. At December 31, 2001, warrants to purchase 12,072 shares at $14.50 per share, 24,195 shares at $15.50 per share and 40,910 shares at $16.50 per share remained outstanding.

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 were 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. In 2001, warrants to purchase 32,595 shares were exercised. At December 31, 2001, warrants to purchase 11,779 shares remained outstanding.

Note 13-Series A Convertible 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. We used the net proceeds from the sale to finance a portion of the purchase price of our BFI acquisition.

In 2001, holders of Series A convertible preferred stock converted 29,595 shares into 1,805,664 shares of our common stock.

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 of the initial issuance. Holders of Series A convertible preferred stock are also entitled to share pro rata with holders of our common stock, on the basis of the number of shares of common stock into which their shares of Series A convertible preferred stock are convertible, in all other dividends and distributions.

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 $1,000 per share plus accumulated preferential dividends and accrued and unpaid dividends not yet accumulated (the "liquidation value") or the amount that would be payable if the Series A convertible preferred stock had been converted into common stock.

Holders of Series A convertible preferred stock are entitled to vote with holders of our common stock as a single class on each matter submitted to a vote of our 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 have the right, voting as a separate class, to elect two directors to our 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.

Each holder of Series A convertible preferred stock may at any time 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 in certain circumstances.

Beginning in May 2002, if the closing price of our common stock exceeds 150% of the conversion price for 20 consecutive trading days, we may elect to redeem all (but not part) of the outstanding shares of Series A convertible preferred stock, at a redemption price equal to the liquidation value to the date of redemption, subject to any holder's right to convert its shares into common stock prior to the redemption date. At any time after a change of control or, under certain circumstances, such as the occurrence of a bankruptcy event, each holder of Series A convertible preferred stock may require us to redeem all or any part of the holder's shares at a price equal to the liquidation value per share.

Under our stock purchase agreement with the initial investors, we agreed to various covenants and restrictions. These covenants and restrictions include our grant of preemptive rights to holders of Series A convertible preferred stock under certain circumstances and our agreement to provide them with specified financial and business information.

We entered into a registration rights agreement with the initial investors at closing requiring us, under certain circumstances, to register all or a portion of their shares of Series A convertible preferred stock under the Securities Act. We also entered into a corporate governance agreement implementing the right of the initial investors to elect directors to our Board of Directors, restricting the right of the initial investors to transfer their shares of Series A convertible preferred stock, and restricting our ability to engage in certain transactions (for example, acquisitive mergers involving more than a specified amount of consideration) without the approval of holders of a majority of the underlying common stock.

Note 14-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, 1999, 2000, and 2001 were approximately $49,000, $0.8 million and $0.9 million respectively.

Note 15-Employee Stock Purchase Plan

In October 2000, our Board of Directors adopted the Stericycle, Inc. Employee Stock Purchase Plan (the "ESPP") effective as of July 1, 2001. Our stockholders approved the ESPP in May 2001. The ESPP authorizes 150,000 shares of our common stock to be purchased by employees at a 15% discount from the market price of the stock through payroll deductions during two six-month offerings each year. An employee who elects to participate in an offering is granted an option on the first day of the offering for a number of shares equal to the employee's payroll deductions under the ESPP during the offering period (which may not exceed $5,000) divided by the option price per share. The option price per share is the lower of 85% of the closing price of a share of our common stock on the first trading day of the offering period or 85% of the closing price on the last trading day of the offering period. Every employee who has completed one year's employment as of the first day of an offering and who is a full-time employee, or a part-time employee who customarily works at least 20 hours per week, is eligible to participate in the offering.

Note 16-Related Party Transactions

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 $2.9 million and $0.5 million in revenues, respectively, related to the sale of equipment to Medam, B.A. de Srl and other licensing and consulting agreements. At December 31, 2000 and 2001 our investment in the joint venture was $4.0 million, which is included in other long-term assets.

In August 2000, we announced the formation of a new joint venture, Evertrade Medical Waste (Pty) Ltd, to service the medical waste market in South Africa using our ETD technology. The joint venture company is headquartered in Johannesburg, South Africa. In 2000 and 2001, we recorded $5.1 million and $1.4 million in revenues, respectively, related to the sale of equipment to Evertrade Medical Waste (Pty) Ltd. and other licensing and consulting agreements. At December 31, 2001 we had total receivables of $5.5 million from the joint venture related to these agreements and loans of $4.3 million to the joint venture, both of which are included in other current assets. In addition our investment in the joint venture was $3.4 million, which is included in other long-term assets.

In August 2001, we announced the agreement with SteriCorp, Limited of Australia to utilize our ETD technology to service the medical waste market in Australia. We have purchased convertible notes of $2.5 million in SteriCorp. The notes are convertible beginning in August 2002 to a maximum of a 19% ownership interest. The company is headquartered in Melbourne, Australia. In 2001, we recorded $2.4 million in revenue related to the sale of equipment to SteriCorp and other licensing and consulting agreements.

Note 17-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 18-Products and Services and Geographic Information

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

	Year Ended December 31,		
	1999	2000	2001
	(in thousands)		
Medical waste management services.....	$ 126,286	$ 316,549	$ 351,316
Proprietary equipment and technology license sales....................	6,562	7,173	7,708
Total................................	$ 132,848	$ 323,722	$ 359,024

Summary financial information by geographic area is as follows:

	Year Ended December 31,		
	1999	2000	2001

	(in thousands)		
Revenues:			
United States	$ 119,618	$ 304,512	$ 334,301
Foreign countries	13,230	19,210	24,723
Total	$ 132,848	$ 323,722	$ 359,024
Long-lived assets:			
United States	$ 508,956	$ 494,755	$ 503,321
Foreign countries	9,290	12,216	13,216
Total	$ 518,246	$ 506,971	$ 516,537

Revenues are attributed to countries based on the location of customers. In 1999, 2000 and 2001, 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, South Africa, and Australia.

Note 19-Selected Quarterly Financial Data (Unaudited)

The following table summarizes our unaudited consolidated quarterly results of operations as reported for 2000 and 2001 (in thousands, except for per share amounts):

	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 from operations	15,827	15,163	15,667	16,809
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

	First Quarter 2001	Second Quarter 2001	Third Quarter 2001	Fourth Quarter 2001
Revenues	$ 85,835	$ 88,549	$ 91,261	$ 93,379
Gross profit	34,064	35,201	36,467	37,333
Income from operations	17,998	18,862	19,730	16,704
Income before extraordinary item	5,017	5,594	6,335	5,073
Extraordinary item, net of tax	--	--	--	(7,309)
Net income	5,017	5,594	6,335	(2,236)
*Basic earnings per common share before extraordinary item	0.29	0.32	0.36	0.25
*Diluted earnings per common share before extraordinary item	0.24	0.27	0.30	0.23

* 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 20-Condensed Consolidating Financial Statements

Payments under the Company's senior subordinated notes (the Notes) are unconditionally guaranteed, jointly and severally, by all of the Company's wholly-owned domestic subsidiaries, which include ECCO, AMDI, 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, 2001, 2000 and 1999 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, 2001

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 8,919	$ 833	$ 9,752	$ 2,985	$ --	$ 12,737
Other current assets	73,742	19,585	93,327	8,304	(16,375)	85,256
Total current assets	82,661	20,418	103,079	11,289	(16,375)	97,993
Property, plant and equipment, net	70,208	1,764	71,972	10,764	--	82,736
Goodwill, net	391,301	19,252	410,553	12,099	--	422,652
Investment in subsidiaries	60,004	1,437	61,441	--	(61,441)	--
Other assets	16,559	5,589	22,148	118	(11,117)	11,149
Total assets	$ 620,733	$ 48,460	$ 669,193	$ 34,270	$ (88,933)	$ 614,530
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities:						
Current portion of long-term debt	$ 12,143	$ --	$ 12,143	$ 490	$ --	$ 12,633
Other current liabilities	60,972	817	61,789	5,332	(16,375)	50,746
Total current liabilities	73,115	817	73,932	5,822	(16,375)	63,379
Long-term debt, net of current portion	5,051	--	5,051	1,353	--	6,404
Other liabilities	265,185	118	265,303	13,179	(11,117)	267,365
Redeemable preferred stock	44,872	--	44,872	--	--	44,872
Common shareholders' equity	232,510	47,525	280,035	13,916	(61,441)	232,510
Total liabilities and shareholders' equity	$ 620,733	$ 48,460	$ 669,193	$ 34,270	$ (88,933)	$ 614,530

CONDENSED CONSOLIDATING BALANCE SHEET
December 31, 2000

	Stericycle, Inc.	Guarantor Subsidiaries	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
Redeemable 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 STATEMENT OF INCOME
Year Ended December 31, 2001

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenues	$ 304,666	$ 21,147	$ 325,813	$ 35,551	$ (2,340)	$ 359,024
Cost of revenues	179,937	12,843	192,780	25,519	(2,340)	215,959
Selling, general, and administrative expense	57,891	2,043	59,934	6,185	(33)	66,086
Write-off of fixed assets	697	--	697	2,632	--	3,329
Acquisition related expenses	356	--	356	--	--	356
Total costs and expenses	238,881	14,886	253,767	34,336	(2,373)	285,730
Income from operations	65,785	6,261	72,046	1,215	33	73,294
Equity in net income (loss) of subsidiaries	3,893	(1,209)	2,684	--	(2,684)	--
Other (expense) income, net	(34,967)	544	(34,423)	(2,090)	(33)	(36,546)
Income before income taxes and extraordinary items	34,711	5,596	40,307	(875)	(2,684)	36,748
Income tax expense (benefit)	12,692	1,754	14,446	283	--	14,729
Net income before extraordinary items	22,019	3,842	25,861	(1,158)	(2,684)	22,019
Extraordinary loss	(7,309)	--	(7,309)	--	--	(7,309)
Net income (loss)	$ 14,710	$ 3,842	$ 18,552	$ (1,158)	$ (2,684)	$ 14,710

CONDENSED CONSOLIDATING STATEMENT OF INCOME
Year Ended December 31, 2000

	Stericycle, Inc.	Guarantor Subsidiaries	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	Stericycle And Guarantor Subsidiaries	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 CASH FLOWS
Year Ended December 31, 2001

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:						
Net cash provided by operating activities......................	$ 52,422	$ 7,242	$ 59,664	$ 4,886	$ --	$ 64,550
CASH FLOWS FROM INVESTING ACTIVITIES:						
Capital expenditures..............	(15,289)	(196)	(15,485)	73	--	(15,412)
Payments for acquisitions and international investments, net of cash acquired............	(11,171)	(6,808)	(17,979)	(3,283)	--	(21,262)
Proceeds from maturity of short-term investments...........	(199)	--	(199)	--	--	(199)
Purchases of short-term investments	200		200			200
Net cash used in investing activities.........................	(26,459)	(7,004)	(33,463)	(3,210)	--	(36,673)
CASH FLOWS FROM FINANCING ACTIVITIES:						
Payment of subordinated notes......	(43,750)	--	(43,750)	--	--	(43,750)
Principal payments on capital lease obligations................	(1,507)	--	(1,507)	(18)	--	(1,525)
Repayment of long term debt........	(35,592)	--	(35,592)	(1,507)	--	(37,099)
Payments of deferred financing costs............................	(173)	--	(173)	--	--	(173)
Borrowings of long term debt.......	10,000	--	10,000	2,171	--	12,171
Proceeds from issuance of common stock.....................	3,565	--	3,565	--	--	3,565
Proceeds from public offering of common stock.................	49,005	--	49,005	--	--	49,005
Net cash used in financing activities.........................	(18,452)	--	(18,452)	646	--	(17,806)
Net (decrease) increase in cash and cash equivalents..............	$ 7,511	$ 238	$ 7,749	$ 2,322	$ --	10,071
Cash and cash equivalents at beginning of period................						2,666
Cash and cash equivalents at end of period..........................						$ 12,737

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2000

	Stericycle, Inc.	Guarantor Subsidiaries	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:						

	Stericycle, Inc.	Guarantor Subsidiaries	Stericycle And Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
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	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

STERICYCLE, INC. AND SUBSIDIARIES
SCHEDULE II - VALUATION AND ALLOWANCE ACCOUNTS
(in thousands)

	Balance 12/31/98	Charges To Expenses	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 Expenses	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.....	9,587	(999)	--	--	8,588

	Balance 12/31/00	Charges To Expenses	Other Charges (1)	Write-offs/ Payments	Balance 12/31/01
Allowance for doubtful accounts......	$ 3,625	$ 1,840	$ 192	$ (2,551)	$ 3,106
Accrued severance and closure costs..	1,124	--	--	(843)	281
Accrued transition expenses..........	--	356	--	(356)	--
Deferred tax valuation allowance.....	8,588	650	--	--	9,238

(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 2002 Annual Meeting of Stockholders to be held on May 15, 2002, 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 2002 Annual Meeting of Stockholders to be held on May 15, 2002, 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 2002 Annual Meeting of Stockholders to be held on May 15, 2002, 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 2002 Annual Meeting of Stockholders to be held on May 15, 2002 to be filed pursuant to Regulation 14A.

Item 13. Certain Relationships and Related Transactions

This Item is not applicable.

PART IV

Item 14. Exhibits, Financial Statements, Schedules and Reports on Form 8-K

Financial Statements (Items 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 Stericycle, Inc. (incorporated by reference to Exhibit 2.1 to our 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 Stericycle, Inc. (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K filed April 23, 1999)	
2.3*	First Amendment to Stock Purchase Agreement, dated as of October 22, 1999, between Allied Waste Industries, Inc. and Stericycle, Inc. (incorporated by reference to Exhibit 2.1 to our 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 Stericycle, Inc. (incorporated by reference to Exhibit 2.2 to our 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 Stericycle, Inc. (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed November 29, 1999)	
3.1*	Amended and Restated Certificate of Incorporation of Stericycle, Inc. (incorporated by reference to Exhibit 3.1 to our 1996 Form S-1)	
3.2*	First Certificate of Amendment to Amended and Restated Certificate of Incorporation of Stericycle, Inc. (incorporated by reference to Exhibit 3.1 to our 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 our Current Report on Form 8-K filed November 29, 1999)	
3.4*	Amended and Restated Bylaws of Stericycle, Inc. (incorporated by reference to Exhibit 3.2 to our 1996 Form S-1)	
3.5*	Amendment to Amended and Restated Bylaws of Stericycle, Inc. (incorporated by reference to Exhibit 3.5 to our 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, Stericycle, Inc. and the guarantors named in the agreement (incorporated by reference to Exhibit 4.1 to our 1999 Form S-4)	
4.2*	Registration Rights Agreement, dated as of November 12, 1999, between Stericycle, Inc. and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed November 29, 1999)	
4.3*	Specimen certificate for shares of our Common Stock, par value $.01 per share (incorporated by reference to Exhibit 4.1 to our 1996 Form S-1)	
4.4*	Form of Common Stock Purchase Warrant in connection with December 1998 subordinated loan (incorporated by reference to Exhibit 4.1 to our 1999 Form S-3)	
10.1*	Amended and Restated Credit Agreement, dated as of October 5, 2001, among Stericycle, Inc., as the borrower, various financial Institutions and other persons from time to time parties as the lenders, Bank of America, N.A., as the administrative agent for the lenders, Banc of America Securities LLC, as the lead arranger and the book manager, Credit Suisse First Boston, as the co-syndication agent, UBS Warburg LLC, as the co-syndication agent, and Fleet National Bank, as the documentation agent (incorporated by reference to our Current Report on Form 8-K filed October 15, 2001)	
10.2*	Indenture, dated as of November 12, 1999, among Stericycle, Inc., the guarantors named in the indenture, and State Street Bank and Trust Company, as trustee (incorporated by reference to Exhibit 10.1 to our 1999 Form S- 4)	
10.3*	Amended and Restated Series A Convertible Preferred Stock Purchase Agreement, dated September 26, 1999, between Stericycle, Inc. and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed October 15, 1999)	
10.4*	Corporate Governance Agreement, dated as of November 12, 1999, between Stericycle, Inc. and certain investors affiliated with Bain Capital, Inc. and Madison Dearborn Partners LLC (incorporated by reference to Exhibit 10.4 to our Annual Report on Form 10-K for 1999)	
10.5*+	Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.1 to our 1996 Form S-1)	
10.6*+	First Amendment to Amended and Restated Incentive Compensation Plan (incorporated by reference to Exhibit 10.7 to our 1999 Form S-3)	
10.7*+*	Second Amendment to Amended and Restated Incentive Compensation Plan	X

10.8*+	Directors Stock Option Plan (Amended and Restated) (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 filed on August 2, 2001 (Registration No. 333-66542)	
10.9+	First Amendment to Directors Stock Option Plan	X
10.10+	1997 Stock Option Plan (incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K for 1997)	
10.11*+	First Amendment to 1997 Stock Option Plan (incorporated by reference to Exhibit 10.9 to our 1999 Form S-3	
10.12+	Second Amendment to 1997 Stock Option Plan	X
10.13	2000 Nonstatutory Stock Option Plan	X
10.14	First Amendment to 2000 Nonstatutory Stock Option Plan	X
10.15	Second Amendment to 2000 Nonstatutory Stock Option Plan	X
10.16*+	Employee Stock Purchase Plan) (incorporated by reference to Exhibit 4.1 to our Registration Statement on Form S-8 filed on August 2, 2001 (Registration No. 333-66544)	
12	Computation of the Ratio of Earnings to Fixed Charges	X
21	Subsidiaries	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 our "1996 Form S-1" are to our Registration Statement on Form S-1 as declared effective on August 22, 1996 (Registration No. 333-05665); references to our "1999 Form S-3" are to our Registration Statement on Form S-3 as declared effective on February 4, 1999 (Registration No. 333-60591); and references to our "1999 Form S-4" are to our 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))

We filed two Current Reports on Form 8-K during the fourth quarter of 2001:

(a) We filed a Current Report on Form 8-K on October 15, 2001 to report the refinancing of our senior secured credit facility to increase our revolving credit facility and extend its maturity, reallocate the term loan A and B components of the facility and extend their maturities, and reduce the interest rates that we are charged.

(b) We filed a Current Report on Form 8-K on November 2, 2001 to report that we had announced our earnings for the third quarter of 2001.

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 25, 2002

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.

Signature	Title	Date
/s/ Jack W. Schuler Jack W. Schuler	Chairman of the Board of Directors	March 25, 2002
/s/ Mark C. Miller Mark C. Miller	President, Chief Executive Officer and a Director (Principal Executive Officer)	March 25, 2002
/s/ Frank J.M. ten Brink Frank J.M. ten Brink	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 25, 2002
/s/ John P. Connaughton John P. Connaughton	Director	March 25, 2002
/s/ Rod F. Dammeyer Rod F. Dammeyer	Director	March 25, 2002
/s/ Patrick F. Graham Patrick F. Graham	Director	March 25, 2002
/s/ John Patience John Patience	Director	March 25, 2002
/s/ Thomas R. Reusche Thomas R. Reusche	Director	March 25, 2002
/s/ L. John Wilkerson, Ph.D. L. John Wilkerson, Ph.D.	Director	March 25, 2002
/s/ Peter Vardy Peter Vardy	Director	March 25, 2002

Second Amendment to

Stericycle, Inc. Amended and Restated Incentive Option Plan

The Stericycle, Inc. Amended and Restated Incentive Compensation Plan (the "1995 Plan") is amended as follows pursuant to the authority of the Board of Directors under Paragraph 11.2 of the Plan:

1. **Paragraphs 8.2 and 8.3**. Paragraphs 8.2 and 8.3 of the Plan are amended to read as follows:

> 8.2 **Term**. The Plan Administrator shall determine (i) whether each Option shall be exercisable in full at one time or in Installments at different times and (ii) the time or times at which the Option or Installments shall become and remain exercisable. No Option or Installment may have an Expiration Date more than 10 years from the Grant Date.
>
> Notwithstanding any limitation on exercisability in Paragraph 8.5 or anything to the contrary in the underlying Option Agreement, (i) each outstanding Option held by an Employee or Officer-Employee shall become exercisable in full as of his or her Termination Date if the Employee's or Officer-Employee's termination of employment occurs by reason of his or her death, and (ii) each outstanding Option or Installment shall become exercisable in full upon a Change in Control. In addition, the Plan Administrator, in its discretion, may accelerate the exercisability of any Option or Installment at any time under any related or other circumstances.
>
> 8.3 **Termination of Employment**. Any Option or Installment held by an Employee or Officer-Employee which is and remains unexercisable as of his or her Termination Date shall expire on the Termination Date. Any Option or Installment held by an Employee or Officer-Employee which is or becomes exercisable as of his or her Termination Date shall expire on the Termination Date unless the expiration date is extended by the Plan Administrator. The Plan Administrator may extend the expiration of an exercisable NSO (or Installment of a NSO) to any date ending on or before the applicable Expiration Date. The Plan Administrator may extend the expiration of an exercisable ISO (or Installment of an ISO) to the earlier of (i) a date no later than 90 days after the Termination Date or (ii) the applicable Expiration Date, unless the Employee's or Officer- Employee's termination occurred as a result of his or her death. In that case, the Plan Administrator may extend the expiration to the earlier of (i) a date no later than the first anniversary of the Employee's or Officer-Employee's death or (ii) the applicable Expiration Date.

2. **Effective Date**. This Amendment shall be effective as of December 1, 2001.

First Amendment to

Stericycle, Inc. Directors Stock Option Plan

(as amended and restated effective February 6, 2001)

The Stericycle, Inc. Directors Stock Option Plan, as amended and restated effective February 6, 2001 (the "Plan") is amended as follows pursuant to the authority of the Board of Directors under Paragraph 8.2 of the Plan:

1. **Paragraphs 6.2 and 6.3**. Paragraphs 6.2 and 6.3 of the Plan are amended to read as follows:

> 6.2 **Term**. Each Option granted prior to January 1, 2000 shall have a six-year term expiring on the sixth anniversary of the date that it was granted (its "Expiration Date"), and each Option granted after December 31, 1999 shall have a 10-year term expiring on the tenth anniversary of the date that it was granted (its "Expiration Date"), subject to early expiration as provided in Paragraph 6.3.
>
> An Option may be exercised in whole or in part at any time prior to its Expiration Date to the extent that it is vested. Each Option granted prior to April 1, 1998 shall become vested in 16 consecutive equal quarterly installments beginning on the first day of the first January, April, July or October following the date on which it was granted. Each Option granted after March 31, 1998 shall become vested in 12 consecutive equal monthly installments, beginning on the first day of the first month following the month in which it was granted, or in accordance with any other vesting schedule approved by the Board (either generally or in the particular instance).
>
> An Option shall become fully vested if the holder of the Option ceases to serve as an Outside Director by reason of the holder's death. An Option shall not continue to vest if the holder of the Option ceases to serve as an Outside Director for any other reason. Each outstanding Option held by an incumbent Outside Director shall become fully vested upon a Change in Control. In addition, the Board, in its discretion, at any time may accelerate the vesting of all outstanding Options held by incumbent Outside Directors under any related or other circumstances.
>
> 6.3 **Early Expiration**. If the holder of an Option ceases to serve as an Outside Director for any reason other than the holder's death, any unvested portion of the Option shall expire on the date that he or she ceases to serve as an Outside Director. The vested portion of an Option held by an Outside Director who ceases to serve as an Outside Director shall expire or remain exercisable as follows:
>
>> (a) If the holder ceases to serve as an Outside Director by reason of his or her death or disability, the vested portion shall remain exercisable for the term of the Option and expire on the Expiration Date.
>>
>> (b) If the holder ceases to serve as an Outside Director for any reason other than his or her death or disability or his or her removal from office, the vested portion shall remain exercisable for the term of the Option and expire on the Expiration Date unless the Board, taking into account the circumstances in which the holder ceases to serve as an Outside Director, considers an earlier expiration date appropriate (but in no event shall the expiration date be earlier than 30 days after the date that the holder ceases to serve as an Outside Director).
>>
>> (c) If the holder ceases to serve as an Outside Director by reason of his or her removal from office, the vested portion shall remain exercisable for 30 days after the date that the holder ceases to serve as an Outside Director.

2. **Effective Date**. This Amendment shall be effective as of December 1, 2001.

Exhibit 10.12

Second Amendment to

Stericycle, Inc. 1997 Stock Option Plan

The Stericycle, Inc. 1997 Stock Option Plan (the "Plan") is amended as follows pursuant to the authority of the Board of Directors under Paragraph 10.2 of the Plan:

1. **Paragraphs 8.2 and 8.3**. Paragraphs 8.2 and 8.3 of the Plan are amended to read as follows:

> 8.2 **Term**. The Plan Administrator shall determine (i) whether each Option shall be exercisable in full at one time or in Installments at different times and (ii) the time or times at which the Option or Installments shall become and remain exercisable. No Option or Installment may have an Expiration Date more than 10 years from the Grant Date.
>
> Notwithstanding any limitation on exercisability in Paragraph 8.5 or anything to the contrary in the underlying Option Agreement, (i) each outstanding Option held by an Employee or Officer-Employee shall become exercisable in full as of his or her Termination Date if the Employee's or Officer-Employee's termination of employment occurs by reason of his or her death, and (ii) each outstanding Option or Installment shall become exercisable in full upon a Change in Control. In addition, the Plan Administrator, in its discretion, may accelerate the exercisability of any Option or Installment at any time under any related or other circumstances.
>
> 8.3 **Termination of Employment**. Any Option or Installment held by an Employee or Officer-Employee which is and remains unexercisable as of his or her Termination Date shall expire on the Termination Date. Any Option or Installment held by an Employee or Officer-Employee which is or becomes exercisable as of his or her Termination Date shall also expire on the Termination Date unless the expiration date is extended by the Plan Administrator. The Plan Administrator may extend the expiration of an exercisable NSO (or an exercisable Installment of a NSO) to any date ending on or before the applicable Expiration Date. The Plan Administrator may extend the expiration of an exercisable ISO (or exercisable Installment of an ISO) to the earlier of (i) a date no later than 90 days after the Termination Date or (ii) the applicable Expiration Date, unless the termination of the Employee or Officer-Employee occurred as a result of his or her death. In this case, the Plan Administrator may extend the expiration to the earlier of (i) a date no later than the first anniversary of the death of the Employee or Officer-Employee or (ii) the applicable Expiration Date.

2. **Effective Date**. This Amendment shall be effective as of December 1, 2001.

Exhibit 10.13

Stericycle, Inc.

2000 Nonstatutory Stock Option Plan

Article 1

Purpose

The purpose of this plan is to permit the Company to grant stock options to selected employees of the Company and its Subsidiaries, and to selected consultants to the Company, in order to reward them for their efforts on the Company's behalf and to provide an additional incentive to contribute to the Company's attainment of its performance objectives.

Article 2

Definitions

Board means the Company's Board of Directors.

Change of Control means an event or the last of a series of related events by which:

(a) any Person directly or indirectly acquires or otherwise becomes entitled to vote stock having 51% or more of the voting power in elections for Directors; or

(b) during any 24-month period a majority of the members of the Board of Directors ceases to consist of Directors who were:

(1) Directors at the beginning of the period ("Continuing Directors"); or

(2) appointed to office after the start of the period by the Board of Directors with the approval of two-thirds of the incumbent Continuing Directors ("Appointed Directors"); or

(3) elected to office after the start of the period by the Company's stockholders following nomination for election by the Board of Directors with the approval of two-thirds of the incumbent Continuing Directors ("Elected Directors"); or

(4) appointed to office after the start of the period by the Board of Directors with the approval of two-thirds of the incumbent Continuing, Appointed and Elected Directors; or

(5) elected to office after the start of the period by the Company's stockholders following nomination for election by the Board of Directors with the approval of two-thirds of the incumbent Continuing, Appointed and Elected Directors; or

(c) the Company merges or consolidates with another corporation, and holders of outstanding shares of the Company's Common Stock immediately prior to the merger or consolidation do not own stock in the survivor of the merger or consolidation having more than 75% of the voting power in elections for directors; or

(d) the Company sells all or a substantial portion of the consolidated assets of the Company and its Subsidiaries, and the Company does not own stock in the purchaser having more than 75% of the voting power in elections for directors.

As used in this definition, a "Person" means any "person" as that term is used in sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended, together with all of that person's "affiliates" and "associates" as those terms are defined in Rule 12b-2 of the Securities and Exchange Commission.

Common Stock means the Company's Common Stock, par value $.01 per share.

Closing Price means the last reported sales price of a share of Common Stock on the Nasdaq National Market.

Company means Stericycle, Inc., a Delaware corporation.

Consultant means any consultant, advisor or vendor rendering services or providing goods to the Company or a Subsidiary.

Director means a director of the Company.

Disability means a person's total and permanent disability as defined in Section 22(e)(3) of the Code.

Employee means an employee of the Company or any Subsidiary.

Expiration Date means the last day on which an Option may be exercised.

Officer means (i) the Company's President and Chief Executive Officer, Chief Operating Officer, or Chief Financial Officer (ii) any Executive Vice President or other Vice President of the Company and (iii) any other person who is considered an "officer" of the Company for purposes of Rule 16a- 1(f) under the Securities Exchange Act of 1934.

Option means an option granted under this Plan to purchase shares of Common Stock.

Option Agreement is defined in Paragraph 8.5.

Option Exchange Program means a program whereby outstanding Options are surrendered in exchange for Options with a lower exercise price.

Option Shares means the shares of Common Stock for which an Option is or may become exercisable.

Plan means this plan, as it may be amended. The name of this Plan is the "Stericycle, Inc. 2000 Nonstatutory Stock Option Plan."

Plan Administrator means the Board or the committee of the Board to which the Board has delegated its authority to administer the Plan in accordance with Paragraph 7.1

Subsidiary means a "subsidiary corporation" as defined in 424(f) of the Internal Revenue Code of 1986.

Termination Date means the date of termination of employment of an Employee by the Company or a Subsidiary. A transfer of employment from the Company to a Subsidiary, or from a Subsidiary to the Company or to another Subsidiary, shall not be considered a termination of employment.

Article 3

Effective Date and Term of Plan

3.1 **Effective Date**. This Plan shall become effective when adopted by the Board.

3.2 **Term**. This Plan shall have a term of 10 years expiring on the tenth anniversary of its adoption. No Option may be granted under this Plan after its expiration.

Article 4

Shares Available

4.1 **Maximum Number of Shares**. The maximum total number of shares of Common Stock for which Options may be granted under this Plan is 500,000 shares (subject to adjustment as provided in Paragraph 10.1).

4.2 **Shares Added Back**. To the extent that an Option expires unexercised or is surrendered, the number of Option Shares in respect of which the Option expired or was surrendered shall be added back to the number of shares of Common Stock for which Options may be granted under this Plan.

Article 5

Nonstatutory Stock Options

The Options granted under this Plan shall be nonstatutory stock options, and are not intended to qualify as an incentive stock options under 422 of the Internal Revenue Code of 1986.

Article 6

Eligibility

Options may be granted under this Plan to Employees and to Consultants. Options may not be granted to Officers or Directors.

Article 7

Administration

7.1 **Plan Administrator**. This Plan shall be administered by the Board. The Board may delegate its authority to administer the Plan to a standing committee of the Board or to a committee appointed by the Board for the purpose consisting of at least two Directors.

7.2 **Powers**. Subject to and not inconsistent with the provisions of the Plan, the Plan Administrator shall have the authority, in its discretion: (i) to select the Employees and Consultants to whom Options are granted; (ii) to determine the number of shares of Common Stock for which each Option is granted; and (iii) to determine the other terms, conditions, restrictions and limitations applicable to each Option.

7.3 **Interpretation**. The Plan Administrator may interpret the Plan, adopt and revise policies and procedures to administer the Plan, and make all determinations required for the Plan's administration. The actions of the Plan Administrator shall be final and binding.

Article 8

Stock Options

8.1 **Exercise Price**. The Plan Administrator shall determine the exercise price of each Option. The Plan Administrator, in its discretion, may reduce the exercise price per share of any outstanding Option to the current Closing Price, and may institute an Option Exchange Program at any time.

8.2 **Term**. The Plan Administrator shall determine (i) whether each Option shall be exercisable immediately or become exercisable at one time or in installments at different times and (ii) the time or times at which the Option shall become and remain exercisable. No Option may have an Expiration Date more than 10 years from the date that it was granted.

Notwithstanding anything to the contrary in the underlying Option Agreement, each outstanding Option shall become exercisable in full upon a Change in Control. In addition, the Plan Administrator, in its discretion, may accelerate the exercisability of any Option at any time under any related or other circumstances.

8.3 **Termination of Employment**. In the case of an Option held by an Employee:

> (a) to the extent that the Option is unexercisable as of the Employee's Termination Date, the Option shall expire on the Termination Date; and
>
> (b) to the extent that the Option is exercisable as of the Employee's Termination Date, the Option shall expire as specified in the Option Agreement (or if no date is specified, 30 days after the Termination Date, or if the Employee's employment terminated by reason of his or her death or Disability, on the first anniversary of the Termination Date), unless the Expiration Date is extended by the Plan Administrator. The Plan Administrator may extend the expiration to any date ending on or before the applicable Expiration Date.

8.4 **Transferability**. Except as provided in the Option Agreement or as permitted by the Plan Administrator, no Option may be transferred, assigned or pledged (whether by operation of law or otherwise), except as provided by will or the applicable laws of intestacy. No Option shall be subject to execution, attachment or similar process.

8.5 **Option Agreements**. Each Option shall be evidenced by a written agreement (an "Option Agreement") between the Company and the person to whom the Option is granted, which shall be substantially in the form of the option agreement attached as **Exhibit A** or otherwise in a form approved by the Plan Administrator. Each Option Agreement shall contain the terms, conditions, restrictions and limitations applicable to the Option and any other provisions that the Plan Administrator considers advisable to include.

Article 9

Exercise of Options

9.1 **Manner of Exercise**. An exercisable Option may be exercised in full or in part (but only in respect of a whole number of Option Shares) by (i) written notice to the Plan Administrator (or its designee) stating the number of Option Shares in respect of which the Option is being exercised and (ii) full payment of the exercise price of those shares.

9.2 **Payment of Exercise Price**. Payment of the exercise price of an Option shall be made by certified or bank cashier's check or, if permitted by the Plan Administrator (either in the applicable Option Agreement or at the time of exercise): (i) a personal check; (ii) delivery of shares of Common Stock having a fair market value on the date of exercise equal to the exercise price; (iii) directing the Company to withhold, from the Option Shares otherwise issuable upon exercise of the Option, Option Shares having a fair market value on the date of exercise equal to the exercise price; (iv) surrendering exercisable Options having a fair market value on the date of exercise equal to the exercise price (measuring the fair market value of the Options surrendered by the excess of the aggregate fair market value on the date of exercise of the Option Shares over the aggregate exercise price); (v) any combination of the preceding methods of payment; or (vi) any other method of payment authorized by the Plan Administrator. For purposes of this Paragraph and Paragraph 9.3, "fair market value" shall be determined by the Closing Price on the date in question (or on the last trading day preceding the date in question if it is not a trading day).

9.3 **Withholding**. Each person exercising an Option shall remit to the Company an amount sufficient to satisfy its federal, state and local withholding tax obligation, if any, in connection with the exercise. Payment shall be made by certified or bank cashier's check or, if permitted by the Plan Administrator (either in the applicable Option Agreement or at the time of exercise): (i) a personal check; (ii) delivery of shares of Common Stock having a fair market value on the date of exercise equal to the withholding obligation; (iii) directing the Company to withhold, from the Option Shares otherwise issuable upon exercise of the Option, Option Shares having a fair market value on the date of exercise equal to the withholding obligation; (iv) any combination of the preceding methods of payment; or (v) by any other method of payment authorized by the Plan Administrator.

Article 10

Miscellaneous Provisions

10.1 **Capitalization Adjustments**. The aggregate number of shares of Common Stock for which Options may be granted under the Plan, the aggregate number of Option Shares in respect of each outstanding Option, and the exercise price of each outstanding Option may be adjusted by the Plan Administrator as it considers appropriate in the event of changes in the number of outstanding shares of Common Stock by reason of stock dividends, stock splits, recapitalizations, reorganizations and the like. Adjustments under this Paragraph 10.1 shall be made in the Plan Administrator's discretion, and its decisions shall be final and binding.

10.2 **Amendment and Termination**. The Board may amend, suspend or terminate this Plan at any time. If this Plan is terminated, the provisions of this Plan shall continue to apply to Options granted prior to termination, and no amendment, suspension or termination of the Plan shall adversely affect the rights of the holder of any outstanding Option without his or her consent.

10.3 **No Right To Employment**. Nothing in this Plan or in any Option Agreement shall confer on any person the right to continue in the employ of the Company or any Subsidiary or limit the right of the Company or Subsidiary to terminate his or her employment.

10.4 **Notices**. Notices required or permitted under this Plan shall be considered to have been duly given if sent by certified or registered mail addressed to the Plan Administrator at the Company's principal office or to any other person at his or her address as it appears on the Company's payroll or other records.

10.5 **Severability**. If any provision of this Plan is held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions, and the Plan shall be construed and administered as if the illegal or invalid provision had not been included.

10.6 **Governing Law**. This Plan and all Option Agreements shall be governed in accordance with the laws of the State of Illinois.

Exhibit 10.14

First Amendment to

Stericycle, Inc. 2000 Nonstatutory Stock Option Plan

The Stericycle, Inc. 2000 Nonstatutory Stock Option Plan (the "Plan") is amended as follows pursuant to the authority of the Board of Directors of Stericycle, Inc. under Paragraph 10.2 of the Plan:

1. **Paragraph 4.1**. Paragraph 4.1 of the Plan is amended to read as follows:

> 4.1 **Maximum Number of Shares**. The maximum total number of shares of Common Stock for which Options may be granted under this Plan is 750,000 shares (subject to adjustment as provided in Paragraph 10.1).

2. **Effective Date**. This Amendment shall be effective as of February 6, 2001.

Exhibit 10.15

Second Amendment to

Stericycle, Inc. 2000 Nonstatutory Stock Option Plan

The Stericycle, Inc. 2000 Nonstatutory Stock Option Plan (the "Plan") is amended as follows pursuant to the authority of the Board of Directors under Paragraph 10.2 of the Plan:

1. **Paragraphs 8.2 and 8.3**. Paragraphs 8.2 and 8.3 of the Plan are amended to read as follows:

> 8.2 **Term**. The Plan Administrator shall determine (i) whether each Option shall be exercisable immediately or become exercisable at one time or in installments at different times and (ii) the time or times at which the Option shall become and remain exercisable. No Option may have an Expiration Date more than 10 years from the date that it was granted.
>
> Notwithstanding anything to the contrary in the underlying Option Agreement, (i) each outstanding Option held by an Employee shall become exercisable in full as of his or her Termination Date if the Employee's termination of employment occurs by reason of his or her death, and (ii) each outstanding Option shall become exercisable in full upon a Change in Control. In addition, the Plan Administrator, in its discretion, may accelerate the exercisability of any Option at any time under any related or other circumstances.
>
> 8.3 **Termination of Employment**. In the case of an Option held by an Employee:
>
> > (a) to the extent that the Option is and remains unexercisable as of the Employee's Termination Date, the Option shall expire on the Termination Date; and
> >
> > (b) to the extent that the Option is or becomes exercisable as of the Employee's Termination Date, the Option shall expire as specified in the Option Agreement (or if no date is specified, 30 days after the Termination Date, or if the Employee's employment terminated by reason of his or her death or Disability, on the first anniversary of the Termination Date), unless the Expiration Date is extended by the Plan Administrator. The Plan Administrator may extend the expiration to any date ending on or before the applicable Expiration Date.

2. **Effective Date**. This Amendment shall be effective as of December 1, 2001.

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

	Year Ended December 31,				
	1997	1998	1999	2000	2001
EARNINGS					
Pre-tax income	$ 1,576	$ 6,361	$ 7,798	$ 23,816	$ 48,980
Add: fixed charges	1,523	1,964	8,504	43,559	39,443
Total earnings	$ 3,099	$ 8,325	$ 16,302	$ 67,375	$ 88,423
FIXED CHARGES					
Interest expense	$ 428	$ 777	$ 6,195	$ 39,785	$ 35,417
Rent expense included in fixed charges	1,095	1,169	2,309	3,774	4,026
Total fixed charges	$ 1,523	$ 1,946	$ 8,504	$ 43,559	$ 39,443
RATIO OF EARNINGS TO FIXED CHARGES	2.0	4.3	1.9	1.5	2.2

Exhibit 21

Stericycle®

Subsidiaries of the Registrant

3CI Complete Compliance Corporation, a Delaware corporation

American Medical Disposal, Inc., an Oklahoma corporation

BFI Medical Waste, Inc., a Delaware corporation

BFI Medical Waste, Inc., a Puerto Rico corporation

Bio-Oxidation Services, Inc., a Delware corporation

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

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

Environmental Health Systems, Inc., a Nebraska corporation

Ionization Research Co., Inc., a California corporation

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

Med-Tech Environmental, Inc., a Delaware corporation

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

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

Pyroval Inc., a Quebec (Canada) corporation

Stericycle of Arkansas, Inc., an Arkansas corporation

Stericycle of Washington, Inc., a Washington corporation

Stroud Properties, Inc., a Delaware corporation

SWD Acquisition Corp., a Delaware corporation

T. J. Egan and Company Inc., a New Jersey corporation

Waste Systems, Inc., a Delaware 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., in the Registration Statement on Form S-8 (Registration No. 333-55156) pertaining to the 2000 Nonstatutory Stock Option Plan of Stericycle, Inc., and in the Registration Statement on Form S-8 (Registration No. 333-66544) pertaining to the 2001 Employee Stock Purchase Plan of Stericycle, Inc., of our report dated February 15, 2002, 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, 2001.

/s/ Ernst & Young LLP

Chicago, Illinois
March 21, 2002