REGISTRATION NO. 333-

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

DELAWARE	4953	36-3640402
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1419 LAKE COOK ROAD, SUITE 410
DEERFIELD, ILLINOIS 60015
(847) 945-6550
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

MARK C. MILLER
PRESIDENT AND CHIEF EXECUTIVE OFFICER
STERICYCLE, INC.
1419 LAKE COOK ROAD, SUITE 410
DEERFIELD, ILLINOIS 60015
(847) 945-6550
(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO:

Craig P. Colmar, Esq. Michael Bonn, Esq. Johnson and Colmar 300 South Wacker Drive Chicago, Illinois 60606	Geoffrey E. Liebmann, Esq. Cahill Gordon & Reindel 80 Pine Street New York, New York 10005

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC:
AS SOON AS PRACTICABLE AFTER THE EFFECTIVE DATE OF THIS REGISTRATION STATEMENT.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. / /

If this Form is filed to register additional securities for an offering pursuant to Rule 426(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. / /

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration Statement number of the earlier effective registration statement for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. / /

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value $.01 share.....	3,450,000 shares	$13.00	$44,850,000.00	$15,465.52

(1) Includes 450,000 shares that the Underwriters have the option to purchase from the Company to cover over-allotments, if any.

(2) Estimated solely for purposes of calculating the registration fee.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SUCH SECTION 8(A), MAY DETERMINE.

- ----------

- ----------

STERICYCLE, INC.

CROSS-REFERENCE SHEET

PURSUANT TO ITEM 501(B) OF REGULATION S-K SHOWING LOCATION
IN PROSPECTUS OF PART I ITEMS OF FORM S-1

ITEM NUMBER AND HEADING IN FORM S-1 REGISTRATION STATEMENT	LOCATION OR CAPTION IN PROSPECTUS
1. Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.....	Forepart of Registration Statement; Outside Front Cover Page
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page; Outside Back Cover Page
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Outside Front Cover Page; Underwriting
6. Dilution.....	Dilution
7. Selling Security Holders.....	Not Applicable
8. Plan of Distribution.....	Outside and Inside Front Cover Pages; Underwriting; Outside Back Cover Page
9. Description of Securities to be Registered...	Outside Front Cover Page; Prospectus Summary; Dividend Policy; Capitalization; Description of Capital Stock; Shares Eligible for Future Sale
10. Interests of Named Experts and Counsel.....	Not Applicable
11. Information with Respect to the Registrant...	Outside and Inside Front Cover Pages; Prospectus Summary; Risk Factors; Use of Proceeds; Dividend Policy; Capitalization; Dilution; Selected Consolidated Financial Data; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business; Management; Certain Transactions; Principal Stockholders; Shares Eligible for Future Sale; Description of Capital Stock; Additional Information; Consolidated Financial Statements; Outside Back Cover Page
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not Applicable

SUBJECT TO COMPLETION, DATED JUNE 11, 1996

3,000,000 SHARES

STERICYCLE, INC.

Common Stock

The 3,000,000 shares of Common Stock, par value $.01 per share (the "Common Stock"), offered hereby (this "Offering") are being offered by Stericycle, Inc. ("Stericycle" or the "Company"). Prior to this Offering there has been no public market for the Common Stock. It is currently estimated that the initial public offering price will be between $11.00 and $13.00 per share. See "Underwriting" for the factors considered in determining the initial public offering price.

The Company has applied for quotation of the Common Stock on the Nasdaq National Market ("Nasdaq") under the symbol "SRCL."

FOR A DISCUSSION OF CERTAIN RISKS OF AN INVESTMENT IN THE SHARES OF COMMON STOCK OFFERED HEREBY, SEE "RISK FACTORS" ON PAGES 7 TO 14.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS*	PROCEEDS TO COMPANY+
Per Share.....	$	$	$
Total++.....	$	$	$

- ---

* The Company has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."

\+ Before deducting expenses of this Offering payable by the Company estimated to be $800,000.

++ The Company has granted the Underwriters a 30-day option to purchase up to 450,000 additional shares of Common Stock on the same terms per share solely to cover over-allotments, if any. If such option is exercised in full, the total price to public will be $, the total underwriting discounts and commissions will be $ and the total proceeds to the Company will be $. See "Underwriting."

The Common Stock is being offered by the Underwriters as set forth under "Underwriting" herein. It is expected that the delivery of certificates therefor will be made at the offices of Dillon, Read & Co. Inc., New York, New York, on or about , 1996, against payment therefor. The Underwriters include:

DILLON, READ & CO. INC.

SALOMON BROTHERS INC

WILLIAM BLAIR & COMPANY

THE DATE OF THIS PROSPECTUS IS , 1996.

[Illustration]

Steri-Cement-Registered Trademark-, Steri-Fuel-Registered Trademark-, Steri-Plastic-Registered Trademark- and Steri-Tub-Registered Trademark- are registered trademarks and Stericycle-SM- is a registered service mark of the Company.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION AND THE CONSOLIDATED FINANCIAL STATEMENTS, CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES THERETO APPEARING ELSEWHERE IN THIS PROSPECTUS. UNLESS OTHERWISE INDICATED, ALL INFORMATION IN THIS PROSPECTUS (I) REFLECTS A 1-FOR-5.3089 REVERSE STOCK SPLIT TO BE EFFECTIVE IMMEDIATELY PRIOR TO COMPLETION OF THIS OFFERING, (II) REFLECTS THE REDESIGNATION OF ALL OF THE COMPANY'S OUTSTANDING SHARES OF CLASS A COMMON STOCK AND CLASS B COMMON STOCK AS A LIKE NUMBER OF SHARES OF COMMON STOCK, WHICH WILL OCCUR AUTOMATICALLY UPON THE CLOSING OF THIS OFFERING, AND (III) ASSUMES THAT THE UNDERWRITERS' OVER-ALLOTMENT OPTION IS NOT EXERCISED. SEE "DESCRIPTION OF CAPITAL STOCK," "CAPITALIZATION" AND "UNDERWRITING." UNLESS THE CONTEXT REQUIRES OTHERWISE, REFERENCES TO "STERICYCLE" AND THE "COMPANY" REFER TO STERICYCLE, INC. AND ITS SUBSIDIARIES. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER THE INFORMATION UNDER "RISK FACTORS."

THE COMPANY

Stericycle is a multi-regional integrated company employing proprietary technology to provide environmentally-responsible management of regulated medical waste for the health care industry. Because of the Company's health care orientation, proprietary technology and breadth of service, the Company believes that it is in a unique position to meet the fundamental need of the health care industry to manage regulated medical waste in a safe and cost-effective manner and to capitalize on the current consolidation trend in the regulated medical waste management industry. The Company believes that its exclusive focus on regulated medical waste and the experience of its management in the health care industry distinguish the Company from its chief competitors, most of whom participate in multiple businesses and most of whose management experience is primarily in the solid waste business. The Company believes that its regulated medical waste management system, including its proprietary ELECTRO-THERMAL-DEACTIVATION ("ETD") treatment process, is the only commercially-proven system that provides all of the following benefits: (i) it kills human pathogens in regulated medical waste without generating liquid effluents or regulated air emissions; (ii) it affords certain operating cost advantages over the principal competing technologies; (iii) it reduces the volume of regulated medical waste by up to 85%; (iv) it renders regulated medical waste unrecognizable; (v) it permits the recovery and recycling of usable plastics from regulated medical waste; and (vi) it enables the remaining regulated medical waste to be safely landfilled or used as an alternative fuel in energy production. The Company's full-service program is designed to help to protect its customers and their employees against potential liabilities and injuries in connection with the handling, transportation and disposal of regulated medical waste.

The Company's integrated services include regulated medical waste collection, transportation, treatment, disposal, reduction, reuse and recycling services, together with related training and education programs, consulting services and product sales, in four geographic service areas: (i) California; (ii) Washington, Oregon, Idaho and British Columbia; (iii) Wisconsin, Illinois, Indiana and Michigan; and (iv) Massachusetts, Maine, New Hampshire, Vermont, Rhode Island, Connecticut, New York and New Jersey. As of December 31, 1995, the Company served over 13,000 customers, consisting of two principal types of regulated medical waste generators. Approximately 70% of the Company's 1995 revenues were derived from hospitals, blood banks and pharmaceutical manufacturers ("Core" generators), and approximately 30% of its revenues were derived from long-term and subacute care facilities, outpatient clinics, medical and dental offices, industrial clinics, dialysis centers, laboratories, biotechnology and biomedical companies, veterinary offices, municipal health departments, ambulance, fire and police departments, correctional facilities, schools, park districts and funeral homes ("Alternate Care" generators). The Company's current operations are comprised of four treatment centers, one recycling center, five transfer stations and four customer service centers.

Regulated medical waste is generally defined as any waste that can cause an infectious disease or that reasonably can be suspected of harboring human pathogenic organisms. Regulated medical waste includes single-use disposable items such as needles, syringes, gloves and laboratory, surgical, emergency room and other supplies which have been in contact with blood or bodily fluids; cultures and stocks of infectious agents; and blood and blood products.

Generators of regulated medical waste are responsible for that waste from its origin through its disposal. The Company seeks to offer a single-source solution to a wide spectrum of regulated medical waste management issues

confronting generators of regulated medical waste, thereby managing the generators' compliance responsibilities relating to proper packaging, labeling, handling, treatment, disposal, tracking and reporting. In addition, the Company offers programs to assist customers in educating their employees on safety, resource conservation and compliance issues. This full-service approach to regulated medical waste management assists customers in dealing cost-effectively with the increasingly complex regulatory framework in which generators of regulated medical waste operate.

An independent study published in 1995 estimated that the size of the regulated medical waste management market in the United States in 1995 was approximately $1 billion. Based upon certain public information and the Company's estimates of its competitors' revenues, the Company believes that it is the second-largest provider of regulated medical waste management services in the United States.

The Company believes that the demand for its services will grow as a consequence of certain trends in the health care and regulated medical waste industries:

- The handling and disposal of the large quantities of regulated medical waste generated by the health care industry has attracted increasing public awareness and regulatory attention. The Occupational Health and Safety Administration ("OSHA") has issued regulations concerning employee exposure to bloodborne pathogens and other potentially infectious materials that require, among other things, special procedures for handling regulated medical waste and annual training of all personnel who are potentially exposed to blood and bodily fluids.

- Alternate Care generators have become an increasingly important source of revenues in the regulated medical waste industry. Individual Alternate Care generators, however, typically do not produce regulated medical waste in sufficient volumes to justify substantial capital expenditures on their own waste treatment facilities or the expense of hiring regulatory compliance personnel. Accordingly, Alternate Care generators often rely on a regulated medical waste management provider for a broad range of regulated medical waste management services.

- The health care industry is under increasing pressure to reduce costs and improve efficiency, which the Company believes can be achieved in the case of regulated medical waste by obtaining waste management services from outside sources.

- Governmental clean air regulations and public opposition are combining to increase the cost and difficulty of obtaining permits to build and operate incinerators. As a result, many hospitals have shut down their incinerators, and the Company expects that many more will do so, with a corresponding increase in demand for off-site alternative treatment services such as those offered by the Company.

- Although the regulated medical waste management industry remains fragmented, the number of competitors is rapidly decreasing as a result of industry consolidation.

The Company believes that it has the opportunity to increase its penetration of the geographic service areas in which it currently operates as well as to expand into adjacent service areas and offer additional products and services to its customers. Since August 1993, the Company has acquired eight regulated medical waste management businesses. The Company intends to continue to expand through business acquisitions, in which it will attempt to acquire businesses that can be integrated into the Company's existing operations and businesses in new geographic service areas that can be assembled in a "hub and spoke" configuration using transfer stations and treatment facilities. Through a combination of logistics and marketing efforts and business acquisitions, the Company intends to improve its operating efficiency.

Stericycle, Inc. is a Delaware corporation with its principal executive offices located at 1419 Lake Cook Road, Suite 410, Deerfield, Illinois 60015. Its telephone number is (847) 945-6550.

THE OFFERING

Common Stock offered by the Company.....	3,000,000 shares
Common Stock to be outstanding after this Offering.....	9,218,455 shares (1)
Use of proceeds.....	To repay bank and other debt and for general corporate purposes, including capital expenditures, working capital and potential future acquisitions. See "Use of Proceeds."
Proposed Nasdaq National Market symbol.....	SRCL

- ------------------------

(1) Based on the number of shares outstanding as of June 1, 1996. Excludes 397,555 shares issuable upon the exercise of outstanding stock options exercisable within 60 days of June 1, 1996, at a weighted average exercise price of $0.66 per share, and 388,270 shares issuable upon the exercise of outstanding warrants all of which were exercisable as of June 1, 1996 at a weighted average exercise price of $5.31 per share. Also excludes 328,036 shares issuable upon the exercise of outstanding stock options, at a weighted average exercise price of $1.33 per share, and 21,578 shares issuable upon the exercise of outstanding warrants at a weighted average exercise price of $34.41 per share, which either were not exercisable within 60 days of June 1, 1996 or were exercisable at prices in excess of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus. See "Description of Capital Stock -- Options" and "-- Warrants."

SUMMARY CONSOLIDATED FINANCIAL DATA
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1991	1992(2)	1993	1994	1995	1995	1996
STATEMENTS OF OPERATIONS DATA:							
Revenues	$ 1,563	$ 5,010	$ 9,141	$ 16,141	$ 21,339	$ 5,446	$ 5,578
Cost of revenues	1,845	5,198	8,947	13,922	17,478	4,227	4,337
Selling, general and administrative expenses	3,377	11,223	5,988	7,927	8,137	2,762	1,505
Loss from operations	(3,659)	(11,411)	(5,794)	(5,708)	(4,276)	(1,543)	(264)
Interest expense	(77)	(244)	(245)	(260)	(277)	(54)	(83)
Interest income	243	283	201	156	9	6	--
Other	(160)	(268)	(190)	--	--	--	--
Net loss	$ (3,653)	$ (11,640)	$ (6,028)	$ (5,812)	$ (4,544)	$ (1,591)	$ (347)
Less cumulative preferred dividends	(1,351)	(2,737)	(3,733)	(4,481)	--(3)	(1,573)	--
Loss applicable to common stock	$ (5,004)	$ (14,377)	$ (9,761)	$ (10,293)	$ (4,544)	$ (3,164)	$ (347)
Net loss per common share (1)	$ (1.95)	$ (4.99)	$ (3.41)	$ (3.59)	$ (0.70)	$ (1.10)	$ (0.05)
Weighted average number of common shares outstanding	2,566,218	2,878,292	2,862,292	2,864,292	6,495,310	2,864,292	6,577,287

	MARCH 31, 1996		
	ACTUAL	PRO FORMA(4)	PRO FORMA, AS ADJUSTED(5)
BALANCE SHEET DATA:			
Cash and cash equivalents	$ 120	$ 120	$ 28,800
Total assets	23,876	25,710	54,390
Current portion of long-term debt	759	2,593	759
Long-term debt, net of current maturities	5,996	5,996	2,342
Shareholders' equity	12,228	12,228	46,396

- ---

(1) See Note 2 to the Consolidated Financial Statements for information concerning the computation of loss per share.

(2) During 1992, the Company approved a restructuring plan which resulted in a nonrecurring charge of $2,747,000, primarily to write-off assets associated with a technology used by the Company prior to the development of the ETD process.

(3) In August 1995 and in connection with a recapitalization of the Company, the liquidation preference on the Company's preferred stock was eliminated and the Company's preferred stock was reclassified as Class A common stock. See "Description of Capital Stock -- 1995 Recapitalization."

(4) Adjusted to give effect to the acquisition of certain assets of Sharps Incinerator of Fort, Inc. in April 1996 and the acquisition of certain assets of Doctors Environmental Control, Inc. in May 1996. See Note 2 to the March 31, 1996 Condensed Consolidated Financial Statements.

(5) Adjusted to give effect to the sale of 3,000,000 shares of Common Stock offered hereby (at an assumed initial public offering price of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus, and after the deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) and the application of the estimated net proceeds to the Company. See "Use of Proceeds."

RISK FACTORS

IN ADDITION TO THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, THE FOLLOWING FACTORS SHOULD BE CAREFULLY CONSIDERED IN EVALUATING AN INVESTMENT IN THE COMMON STOCK OFFERED BY THIS PROSPECTUS.

HISTORY OF LOSSES; UNCERTAINTY OF FUTURE PROFITABILITY

The Company is engaged in the regulated medical waste management business. The Company's operations have not been profitable since the Company began operations in 1989. As of March 31, 1996, the Company had an accumulated deficit of approximately $37,449,000. For the year ended December 31, 1995 and the quarter ended March 31, 1996, the Company had net losses of approximately $4,544,000, or $0.70 per share, and approximately $347,000, or $0.05 per share, respectively. There can be no assurance that the Company will be able to operate profitably in the future. The Company is subject to the risks and uncertainties inherent in the growth of a developing business in its industry, including, among other things, limited access to capital, difficulties and delays in obtaining necessary government permits and authorizations, other delays in implementing its business strategy in particular geographic service areas and significant competition.

IMPACT OF GOVERNMENT REGULATION

The regulated medical waste management industry is subject to extensive federal, state, local and applicable foreign laws and regulations. The collection, transportation, treatment and disposal of regulated medical waste require applicable government permits, authorizations and approvals ("permits"), the nature of which may vary from jurisdiction to jurisdiction, and continuing compliance with required packaging, labeling, handling, treatment, disposal and documentation procedures and notice and reporting obligations. The Company believes that it has obtained all government permits required to operate its existing business and that it is in compliance in all material respects with these permits and all applicable laws and regulations. State and local laws and regulations change with some frequency, however, and the amendment of existing laws or regulations or the adoption of new laws or regulations could require the Company to obtain new government permits or to modify its current methods of operation in order to comply with these changes. There can be no assurance that the Company would be able to obtain any such new permits or that the cost of compliance with any such changes would not have a material adverse effect on the Company's business, financial condition and results of operations. See "Business - -- Governmental Regulation."

The permits that the Company requires, and in particular the permits required to build and operate treatment and transfer facilities and transport regulated medical waste, are difficult and time-consuming to obtain and, if and when issued, may be subject to conditions or restrictions which limit the Company's ability to operate efficiently in the applicable jurisdiction. There can be no assurance that the Company will be successful in obtaining the permits necessary in order to expand the geographic service areas in which it operates or that any such permits will be obtained when contemplated by the Company's expansion plans or under conditions or with restrictions acceptable to the Company. The Company's inability to expand the geographic service areas in which it operates, either because it is unable to obtain the necessary permits or because they are issued under conditions or with restrictions which are not acceptable to the Company, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's applications for treatment and transfer facility permits are frequently subject to opposition by elected officials, local residents or citizen groups, and public opposition could force the Company to delay or withdraw its application and abandon its plans to expand into a particular geographic service area or to locate a treatment or transfer facility at a particular site. Even after a permit is issued, opponents may initiate administrative proceedings or litigation to compel the applicable regulatory agency to modify the conditions under which the permit was granted or to revoke the issuance of the permit. The Company's withdrawal of a permit application, after incurring substantial costs in the preparation and prosecution of the application and underlying market studies, site selection, facility design and pre-marketing activities, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Governmental Regulation."

The Company's failure to operate in compliance with the requirements and limitations of any permit, or with the laws and regulations pursuant to which the permit was issued, could jeopardize the permit. Routine compliance inspections by the issuing regulatory agency, as well as complaints filed or anonymously sponsored by the Company's competitors or others alleging that the Company is not operating in compliance with a particular permit, could

result in administrative proceedings to modify, suspend or revoke the permit. Any such modification, suspension or revocation could have a material adverse effect on the Company's business, financial condition and results of operations. Some permits have to be renewed periodically, and there can be no assurance that any existing or future permit which is required to be renewed will be renewed by the issuing regulatory agency. The failure to obtain any such renewal could have a material adverse effect on the Company's business, financial condition and results of operations. Subsequent to the issuance of the Company's original license for its Woonsocket, Rhode Island treatment facility, the State of Rhode Island enacted legislation that required the Company to obtain an additional license for its regulated medical waste operations. The Company has applied for but not yet received this additional license. Until regulatory action is taken in respect of this additional license, the Company is permitted to continue to operate under its current license. There can be no assurance that the Company will receive the additional license. Denial of this license could result in the Company being required to cease treatment operations in Rhode Island and could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Governmental Regulation."

The Company's treatment technology is an alternative to the conventional treatment technologies of incineration and autoclaving and has not been approved in all states for the treatment of regulated medical waste. The Company has been permitted to operate its treatment technology in 13 states with additional applications pending. There can be no assurance, however, that the Company's treatment technology will be approved for the treatment of regulated medical waste in each state or other jurisdiction where the Company may seek regulatory approval in the future to construct and operate a treatment facility. The Company's inability to obtain any such regulatory approval could have a material adverse effect on the Company's business, financial condition and results of operations. Like any technology, the Company's treatment process may be subject to certain technological limitations. Although the Company has never been denied regulatory approval because of any technological limitation on its treatment process, there can be no assurance that specific limitations will not be identified by a regulatory agency as a sufficient reason to withhold a necessary permit in a particular jurisdiction or used by competitors to encourage customers or potential customers to engage their services rather than those of the Company. There can be no assurance that any such actions would not have a material adverse effect on the Company's business, financial condition and results of operations.

The Company has been and may continue to be subject from time to time to governmental enforcement proceedings and has been and may be required to pay fines and penalties or undertake remedial work at its facilities. The amount of any such fines and penalties and the cost of any such remedial work could be substantial and could have a material adverse effect on the Company's business, financial condition and results of operations. In August 1995, the Company entered into a voluntary settlement with the Rhode Island Department of Environmental Management ("RIDEM") pursuant to which, without admitting liability, the Company agreed to pay $400,000 over a seven-year period and to perform community services and conduct seminars over a five-year period. The settlement arose from certain notices of violation that RIDEM issued in September 1994 and April 1995 pursuant to which RIDEM sought penalties of $3,356,000, claiming that the Company had violated state medical waste and solid waste regulations by, among other things, mishandling and improperly treating medical waste and endangering its employees' health by failing to provide proper training and protective clothing. RIDEM has recently contacted the Company's local counsel and informally suggested that it may issue additional notices of violation. The Company believes that there is no basis for the issuance of any such additional notices and that the resolution of the matter will be favorable to the Company. There can be no assurance, however, that if the resolution is unfavorable to the Company, the Company's obligations as a result of any such additional notices of violation would not have a material adverse effect on the Company's business, financial condition or results of operations.

The Company believes that the action by RIDEM prompted regulatory authorities in all of the other states in which the Company does business to investigate or inquire into the Company's operations. None of these investigations or inquiries has resulted in any fines, penalties or remedial work. The Company believes that the Massachusetts Attorney General inquired into the Company's activities in Massachusetts but does not know whether the inquiry, if any, is still pending. The Company believes, however, that if there is or was any such inquiry, it was begun following the adverse publicity that the Company received in connection with the notices of violation from RIDEM. The Company has settled unrelated allegations of violations with other state regulatory authorities. There can be no assurance that the Company will be successful in its defense of any future government enforcement

proceeding or in obtaining a settlement of any fines or penalties sought to be imposed on terms acceptable to the Company. The expense and time involved in defending against any such enforcement proceeding, the cost of any fines or penalties imposed or paid in settlement, and the adverse publicity, loss of customers and additional investigations or inquiries associated with any proceeding, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Regulatory and Legal Proceedings."

In the State of Washington, the Company is subject to regulation by the Utilities and Transportation Commission, which regulates all businesses engaged in transportation in the state. As a regulated business, the Company must receive approval from the Utilities and Transportation Commission for the prices that it charges for its services in Washington. While the Commission has approved the Company's current prices, there can be no assurance that the Commission will approve the prices that the Company may seek to charge in the future or that the prices approved will be adequate to enable the Company to earn an acceptable return on its operations in Washington. There can be no assurance that the Company will not be regulated in a similar manner in other states or jurisdictions in the future. Any such regulation could result in the Company's failure to attain otherwise available levels of profitability and could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Governmental Regulation."

IMPORTANCE OF GOVERNMENTAL ENFORCEMENT OF ENVIRONMENTAL REGULATIONS

The Company believes that its business prospects are enhanced by the enforcement of stringent statutory and regulatory requirements relating to the collection, transportation, treatment and disposal of regulated medical waste. These laws and regulations are, and will continue to be, a principal factor affecting demand for the Company's regulated medical waste management services. In addition, the Company views laws and regulations that make it more difficult or expensive to use competing regulated medical waste treatment technologies, such as incineration and autoclaving, as advantageous to its business prospects. The Company believes that legislative initiatives offering financial incentives for or otherwise encouraging the recycling of treated medical waste similarly enhance the Company's business prospects. Changes in the law or regulations that relax the requirements governing regulated medical waste, including changes that reduce incentives to landfill diversion and resource recovery or that remove obstacles to the use of incineration and autoclaving for the treatment of regulated medical waste, could have a material adverse effect on the Company's business, financial condition and results of operations. The level of future enforcement of existing and new laws and regulations, the scope of future laws and regulations and the impact of technological changes on existing or future laws and regulations cannot be predicted. The level of enforcement in each jurisdiction is subject to changing political and budgetary pressures. A significant reduction in government enforcement in one or more jurisdictions could have a material adverse effect on the Company's business, financial condition and results of operations.

INTENSE COMPETITION WITHIN INDUSTRY

The Company operates within the intensely competitive regulated medical waste management industry. Competition in the industry has resulted in substantial price reductions in virtually all geographic areas. Although prices have stabilized in certain areas, there can be no assurance that competitive pressures within the regulated medical waste management industry will not result in continued or accelerated price reductions. Substantial continued or accelerated price reductions would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces competition from several national waste management companies and many regional and local businesses in its present locations, and will be confronted in the future with such competition in each location where it seeks to expand. The Company's business strategy involves selling its services to customers who may have established relationships with existing regulated medical waste management businesses and who therefore may be reluctant to use the Company's services. Several of the Company's competitors are larger and have substantially greater capital resources, regulatory experience, sales and marketing capabilities and broader product and service offerings than the Company and are well established in their respective markets. Among these larger competitors are Browning-Ferris Industries, Inc. ("BFI"), WMX Technologies, Inc., Laidlaw Waste Systems, Inc. and USA Waste Services, Inc. The Company's primary competitor is BFI. BFI or other competitors, either alone or together with competitors having sufficient resources, could engage in a variety of actions that may have the effect of delaying or preventing the implementation of the Company's business strategy. These activities may include

aggressive price competition, bundling of regulated medical waste management services with other services including solid waste management, lobbying or other government relations initiatives designed to impede the Company's ability to obtain or maintain necessary permits and approvals, financial support of citizens' groups that oppose the Company's plans to locate a facility at a particular site, offering a higher level of customer service, and efforts to recruit the Company's customers. There can be no assurance that the Company's competitors will not substantially increase their commitment of resources devoted to competing aggressively with the Company or that the Company will be able to compete profitably with BFI or other competitors. To the extent that the Company's competitors are able to secure significant numbers of long-term customer agreements with penalties for early termination in geographic service areas that the Company targets for growth, the Company may be unable to meet its growth objectives. In addition, the widespread adoption of long-term regulated medical waste management agreements among the Company's potential customers may increase the likelihood that the Company will be accused of wrongful interference with the contractual rights of a competitor if and when the Company attempts to persuade a potential customer to terminate its relationship with that competitor and become a customer of the Company. See "Business -- Competition."

GROWTH STRATEGY DEPENDENT UPON ACQUISITIONS

The Company's growth strategy depends in significant part on its ability to acquire other regulated medical waste management businesses. There can be no assurance that the Company will be able to identify suitable businesses to acquire, successfully negotiate their acquisition, improve the productivity of their operations or integrate their operations into the Company's business. The recent consolidation in the regulated medical waste management industry may increase competition for the acquisition of existing businesses and result in fewer acquisition opportunities and higher purchase prices. Some of the Company's competitors for acquisitions are larger companies with significantly greater resources than the Company. If the Company is successful in identifying suitable regulated medical waste management businesses to acquire and in negotiating terms of acquisition acceptable to the Company, there can be no assurance that any debt or equity financing which may be necessary to complete their acquisition could be obtained on terms satisfactory to the Company. Any additional equity financing may be dilutive to the Company's existing stockholders, and any debt financing, if available, may significantly increase the Company's debt and involve restrictive covenants which limit the Company's operations. The Company's failure to implement successfully its growth strategy could delay the Company's achievement of profitable operations and could have a material adverse effect on the Company's business, financial condition and results of operations. See "Use of Proceeds" and "Business -- Growth Strategy" and "-- Acquisition Program."

If the Company is successful in acquiring additional regulated medical waste management businesses, the Company may experience a period of rapid growth which could place significant additional demands on the Company's management, resources and management information systems. The Company's failure to manage any such rapid growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

FUTURE CAPITAL REQUIREMENTS

The Company anticipates that its future acquisitions of other regulated medical waste management businesses will be made by the payment of cash, including cash from the net proceeds of this Offering, the issuance of debt or equity securities or a combination of these methods. In addition, the Company's growth through internal expansion of its existing business as well as continuing operations will require substantial expenditures. If the Company is unable to use debt or equity securities to make business acquisitions after the substantial exhaustion of the net proceeds of this Offering, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all. Any additional equity financing may be dilutive to the Company's existing stockholders, and any debt financing, if available, may involve restrictive covenants which limit the Company's operations. The Company's failure to raise capital if and when needed could delay or suspend the Company's growth strategy and result in a material modification of the Company's business strategy. The Company's inability to fund its capital requirements could have a material adverse effect on the Company's business, financial condition and results of operations. See "Use of Proceeds" and "Business -- Growth Strategy" and "-- Acquisition Program."

DEPENDENCE ON PATENTS AND PROPRIETARY INFORMATION

The Company owns four United States patents and is the owner or licensee of a number of United States and foreign patent applications covering aspects of the treatment of medical waste through ELECTRO-THERMAL DEACTIVATION and irradiation. The Company also owns one United States patent for its STERI-TUB container. The Company believes that its patents are important to its prospects for success. There can be no assurance, however, that the Company's patent applications will issue as patents or that any issued patents will provide competitive advantages to the Company or will not be successfully challenged or circumvented by competitors or other third parties. In addition, there can be no assurance that the Company's regulated medical waste treatment processes do not infringe the patent or other proprietary rights of third parties. Litigation may be required to enforce the Company's patents, to defend the Company against claims of infringement by third parties and to determine the enforceability, validity and scope of third parties' proprietary rights. Any such litigation could involve a substantial expense to the Company and require significant time and attention of the Company's management. The Company also could be required to participate in interference proceedings declared by the U.S. Patent and Trademark Office to determine the priority of inventions, which also could involve a substantial expense. A determination adverse to the Company in any such litigation or interference proceedings could result in a substantial liability to the Company or prevent the Company from continuing to use its regulated medical waste treatment processes. In the former event, the liability could have a material adverse effect on the Company's business, financial condition and results of operations. In the latter event, the Company could seek a license from the third party or attempt to redesign its regulated medical waste treatment processes to avoid infringement. The Company's failure to obtain such a license on terms acceptable to the Company, or its failure to redesign its processes to avoid infringement, similarly could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Patents and Proprietary Rights."

In addition to patent protection, the Company seeks to protect its proprietary information through confidentiality agreements with its employees, consultants and collaborators. There can be no assurance that such agreements will not be breached, that the Company will have adequate remedies for any such breach or that the Company's proprietary information will not otherwise become known to or be independently developed by the Company's competitors. See "Business -- Patents and Proprietary Rights."

The Company holds federal registrations of the trademarks "Steri-Fuel," "Steri-Plastic," "Steri-Tub" and "Steri-Cement" and the service marks "Stericycle" and a mark consisting of a graphic that the Company uses in association with its name and services in the United States. There can be no assurance that the registered or unregistered trademarks of the Company will not infringe upon the rights of third parties. The requirement to change any trademark, service mark or trade name of the Company would result in the loss of any goodwill associated with that trademark, service mark or trade name, could entail significant expense and could have a material adverse effect on the Company's business, financial condition and results of operation.

POTENTIAL LIABILITY; INSURANCE

The regulated medical waste management industry involves potentially significant risks of statutory, contractual, tort and common law liability. The Company's failure to comply with applicable laws and regulations or to manage regulated medical waste in an environmentally safe manner could result in environmental contamination, personal injury and property damage. The Company maintains pollution liability, general liability and workers' compensation insurance which the Company considers adequate to protect its business and employees. An uninsured or partially insured claim against the Company, however, could have a material adverse effect on the Company's business, financial condition and results of operations. The federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), and similar state laws, impose strict, joint and several liability on current and former owners and operators of facilities from which releases of hazardous substances have occurred and on generators and transporters of the hazardous substances that come to be located at such facilities. Responsible parties may be liable for substantial waste site investigation and clean-up costs and natural resource damages, regardless of whether they exercised due care and complied with applicable laws and regulations. If the Company were found to be a responsible party for a particular site, it could be required to pay the entire cost of waste site investigation and clean-up, even though other parties also may be liable. The Company's ability to obtain contribution from other responsible parties may be limited by the Company's inability to identify those parties and by their financial inability to contribute to investigation and clean-up costs. There can be no

assurance that the Company will not face claims under CERCLA or similar state laws, or under other laws, resulting in a substantial liability for which the Company is unable to obtain contribution from other responsible parties and for which the Company is uninsured or only partially insured. The Company's pollution liability insurance excludes liabilities under CERCLA. The Company may experience difficulty in the future in obtaining adequate insurance coverage on acceptable terms. A successful claim against the Company for which it is uninsured or only partially insured, and for which it is unable to obtain contribution from other responsible parties, could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business -- Potential Liability and Insurance."

ALTERNATIVE TECHNOLOGIES; TECHNOLOGICAL OBSOLESCENCE

The regulated medical waste management industry presents continuing opportunities for the development of alternative treatment and disposal technologies. These alternative technologies may emphasize operating cost efficiencies, reductions in the volume of regulated medical waste generated or other environmental factors. The development and commercialization of alternative treatment or disposal technologies that are more cost-efficient than the Company's technologies or that reduce the volume of regulated medical waste generated or afford other environmental benefits could place the Company at a competitive disadvantage. The Company is aware of certain new regulated medical waste management technologies, including the production of reusable or degradable medical products, which, if successfully developed and commercialized, could have a material adverse effect on the Company's business, financial condition and results of operations.

COST OF REUSE AND RECYCLING

One of the components of the Company's business and marketing strategy is to reuse and recycle treated regulated medical waste. The demand for reusable and recyclable regulated medical waste products can be volatile and subject to changing market conditions. The Company does not currently make a profit on its reuse and recycling operations, and there can be no assurance that the Company will do so in the future. In the event that the cost of operating its reuse and recycling programs increases significantly in the future, the Company may abandon those programs. Their abandonment would deprive the Company of what it considers to be a significant marketing and sales advantage over its competitors who do not offer such services while increasing the Company's disposal costs related to such waste, and thus could have a material adverse effect on the Company's business, financial condition and results of operations.

DEPENDENCE ON KEY PERSONNEL

The Company is dependent upon a limited number of key management, technical and sales personnel. The Company's future success will depend, in part, upon its ability to attract and retain highly qualified personnel. The Company faces competition for such personnel from other companies and organizations, and there can be no assurance that the Company will be successful in hiring or retaining qualified personnel. The Company does not have written employment agreements with its officers providing for specific terms of employment, and officers and other key personnel could leave the Company's employ with little or no prior notice. The Company's loss of key personnel, especially if the loss is without advance notice, or the Company's inability to hire or retain key personnel, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company does not carry any key man life insurance.

BROAD DISCRETION IN USE OF PROCEEDS

The Company intends to use the major portion of the net proceeds of this Offering to acquire other regulated medical waste management businesses and to use the remaining net proceeds for debt repayment, working capital and the development of the Company's transfer station in San Leandro, California as a combined treatment and transfer facility. As of the date of this Prospectus, the Company has no pending agreements, commitments or understandings to acquire other regulated medical waste management businesses. At the discretion of the Company's Board of Directors, the Company could use a substantial portion of the net proceeds of this Offering to make one or more acquisitions, or could apply the net proceeds for other purposes, which some or even a majority of the Company's stockholders might oppose but which would not be submitted to a vote of the stockholders for their approval. See "Use of Proceeds."

CONTROL BY OFFICERS, DIRECTORS AND AFFILIATED ENTITIES

Following completion of this Offering, the Company's executive officers, directors and entities affiliated with them will beneficially own, in the aggregate, approximately 32.9% of the Company's outstanding Common Stock. If they were to act together, these stockholders would be able to control substantially all matters requiring approval by the Company's stockholders, including the election of directors and the approval of mergers or other business combination transactions. This concentration of ownership could prevent a change in control of the Company. See "Principal Stockholders."

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW

The Company has not elected to be excluded from the provisions of Section 203 of the Delaware General Corporation Law, which imposes certain restrictions on transactions between a corporation and "interested stockholders" (as defined in Section 203). These restrictions could operate to delay or prevent a change in control of the Company and to discourage, impede or prevent a merger, tender offer or proxy contest involving the Company. See "Description of Capital Stock - -- Anti-Takeover Provisions of Delaware Law."

NO PRIOR PUBLIC MARKET; POSSIBLE VOLATILITY OF STOCK PRICE

Prior to this Offering, there has been no public market for the Common Stock, and there can be no assurance that an active public market for the Common Stock will develop or, if one develops, that it will be sustained. The initial public offering price for the shares of Common Stock offered hereby was determined by negotiation between the Company and the Managing Underwriters based upon several factors and may not be indicative of the market price of the Common Stock after this Offering. See "Underwriting." The market price of the Common Stock may be volatile. The market price of the Common Stock could be adversely affected by fluctuations in the Company's operating results or the operating results of the Company's competitors, the failure of the Company's operating results to meet the expectations of market analysts and investors, changes in regulated medical waste management laws and regulations, actions by regulatory authorities, developments in respect of patents or proprietary rights, changes in market analyst recommendations regarding the Company or the regulated medical waste management industry generally, general market conditions, or other events and factors.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial numbers of shares of Common Stock in the public market following this Offering could adversely affect the market price of the Common Stock. Such sales could also make it more difficult for the Company to sell equity securities or equity-related securities in the future at a time and price that the Company considers desirable.

Upon completion of this Offering, the Company will have 9,218,455 shares of Common Stock outstanding, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding stock options and warrants after June 1, 1996. Of these outstanding shares, the 3,000,000 shares of Common Stock sold in this Offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), unless they are purchased by an "affiliate" of the Company as that term is defined in Rule 144 under the Securities Act. The remaining 6,218,455 shares of Common Stock held by the Company's existing stockholders will be "restricted securities" as that term is defined in Rule 144 under the Securities Act, and were issued and sold by the Company in reliance on exemptions from the registration requirements of the Securities Act. These shares may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144. Holders of 5,571,624 shares of Common Stock, including all of the Company's officers and directors, have entered into "lock-up" agreements with the Managing Underwriters pursuant to which such holders have agreed not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of, directly or indirectly, any of their shares of Common Stock, or any shares that they may acquire through the exercise of stock options or warrants, or to exercise any of their registration rights in respect of their shares of Common Stock, for a period of 180 days after the date of this Prospectus without the prior written consent of Dillon, Read & Co. Inc. on behalf of the Managing Underwriters. Upon the expiration of these agreements, 5,039,451 shares will be eligible for sale without restriction pursuant to Rule 144(k), 325,547 shares will be eligible for sale subject to the volume limitation and other conditions of Rule 144, and the remaining 853,457 shares will become eligible for sale pursuant to Rule 144 upon the expiration of their respective two-year holding periods on various dates occurring more than 180 days after the date of this Prospectus. In addition, holders

of 5,045,996 shares of Common Stock, warrants to purchase 6,773 shares of Common Stock and a note payable upon completion of this Offering by, in part, the Company's issuance of 98,001 shares of Common Stock, have certain registration rights in respect of such shares. By virtue of the lock-up agreements, no registration rights can be exercised for a period of 180 days after the date of this Prospectus without the prior written consent of Dillon, Read & Co. Inc. on behalf of the Managing Underwriters. The number of shares of Common Stock sold in the public market could increase significantly if holders of registration rights were to exercise their rights following the expiration of the lock-up agreements. See "Description of Capital Stock -- Registration Rights of Certain Holders" and "Shares Eligible for Future Sale."

As of June 1, 1996, there were outstanding options under the Company's Incentive Compensation Plan (the "1995 Stock Plan") to purchase 704,167 shares of Common Stock, of which options for 381,137 shares were exercisable within 60 days of June 1, 1996, and other options outstanding to purchase 21,424 shares of Common Stock, of which options for 16,419 shares were exercisable within 60 days of June 1, 1996. Of the total options exercisable within 60 days of June 1, 1996, options for 286,769 shares were held by officers, directors and employees of the Company and other parties subject to the lock-up agreements described above. Shortly after completion of this Offering, the Company intends to register the 1,506,904 shares of Common Stock issued or issuable under the 1995 Stock Plan and the 285,000 shares of Common Stock issuable under the Company's Directors Stock Option Plan. The shares registered will be available for immediate sale in the public market, subject to the volume limitation under Rule 144 in the case of sales by affiliates of the Company, except to the extent that the shares are subject to the lock-up agreements described above. See "Management -- Stock Option Plans" and "Shares Eligible for Future Sale."

As of June 1, 1996, there were outstanding warrants to purchase 409,848 shares of Common Stock, all of which were then exercisable. Holders of warrants to purchase 387,829 shares of Common Stock are subject to the lock-up agreements described above.

After completion of this Offering, the Company may issue unregistered shares of Common Stock as full or partial consideration for future business acquisitions and may grant registration rights to the holders of such shares. The Company has agreed that no such grant of registration rights would permit the rights to be exercised for a period of 180 days after the date of this Prospectus without the prior written consent of Dillon, Read & Co. Inc. on behalf of the Managing Underwriters. See "Business -- Acquisition Program."

IMMEDIATE AND SUBSTANTIAL DILUTION

The initial public offering price is substantially higher than the net tangible book value per share of Common Stock. New investors purchasing Common Stock in this Offering accordingly will incur immediate dilution of $7.57 in the net tangible book value per share of Common Stock purchased (at an assumed initial public offering price of $12.00, the mid-point of the price range as set forth on the cover page of this Prospectus and after the deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company). See "Dilution."

ABSENCE OF DIVIDENDS

The Company has never paid any cash dividends on its Common Stock and does not anticipate paying cash dividends in the foreseeable future. See "Dividend Policy."

USE OF PROCEEDS

The net proceeds to the Company from this Offering are estimated to be approximately $32,680,000 ($37,702,000 if the Underwriters' over-allotment option is exercised in full), assuming an initial public offering price of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by the Company.

Approximately $1,200,000 of the net proceeds will be used to repay the Company's outstanding indebtedness under its revolving credit facility with Silicon Valley Bank. The Company's borrowings under this credit facility were incurred primarily to refinance other debt, to provide working capital and to finance the Company's acquisitions of certain assets of Bio-Med of Oregon, Inc. and WMI Medical Services of New England, Inc. in January 1996, and of Doctors Environmental Control, Inc. ("Doctors") and Sharps Incinerator of Fort, Inc. in May 1996, at an aggregate cost of $2,426,000, of which an aggregate of $1,062,000 was paid in cash at the respective closings of these acquisitions. The Company's revolving credit facility provides for borrowings of up to $2,500,000, subject to certain limitations based upon eligible accounts receivable, had a weighted average interest rate of 11.5% per annum at December 31, 1995 and will mature in October 1997.

Approximately $600,000 of the net proceeds will be used to repay the Company's outstanding indebtedness under certain notes given in connection with the Doctors acquisition in May 1996. The notes have an interest rate of 6.0% per annum and are scheduled to mature in May 1998.

Approximately $222,000 of the net proceeds will be used to repay the Company's outstanding indebtedness under a note to Security State Bank in connection with a loan to acquire and equip the Company's treatment facility at Morton, Washington. The note had an interest rate of 9.78% per annum at December 31, 1995 and is scheduled to mature in December 2007.

Approximately $992,000 of the net proceeds will be used to pay the cash portion of a note (the "Safe Way Note") to Safe Way Disposal Systems, Inc. ("Safe Way") which was given in connection with the Company's purchase of certain of Safe Way's assets in September 1994. The Safe Way Note is for $2,480,000, does not bear interest, is due upon completion of this Offering and is payable in cash for 40% of its face amount and in 98,001 shares of Common Stock for the balance.

Approximately $1,000,000 of the net proceeds will be used to repay the Company's outstanding indebtedness to holders of subordinated notes that the Company issued in May 1996 in connection with a short-term loan to provide working capital. The subordinated notes are interest-free if paid when due, subject to certain exceptions, and are due within 30 days after completion of this Offering. In connection with this loan, the Company issued warrants to the lenders to purchase an aggregate of 226,036 shares of Common Stock at a price of $7.96 per share. See "Certain Transactions."

The Company intends to use a portion of the net proceeds to complete the construction and equipping of a treatment facility at its San Leandro, California transfer station. The Company currently estimates the cost of completion at approximately $1,600,000. The remainder of the net proceeds will be used for general corporate purposes, including capital expenditures, working capital and potential future acquisitions. After repayment of the revolving credit facility, the Company also will be able to redraw on the credit facility for capital expenditures, potential future acquisitions, working capital and other general corporate purposes. Pending use of the net proceeds, the Company intends to invest the net proceeds in interest-bearing, investment-grade securities.

DIVIDEND POLICY

The Company has never paid cash dividends on its capital stock. The Company currently expects that it will retain future earnings for use in the operation and expansion of its business and does not anticipate paying any cash dividends in the foreseeable future. The Company is prohibited from paying cash dividends under the terms of its revolving credit facility with Silicon Valley Bank and is restricted from paying cash dividends under an agreement in connection with the industrial development revenue bonds issued to finance the Company's construction of its treatment facility at Woonsocket, Rhode Island. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

DILUTION

Dilution is the reduction in the value of a purchaser's investment in Common Stock measured by the difference between the purchase price per share and the net tangible book value per share of the Common Stock after the purchase. The net tangible book value per share of the Common Stock represents the net tangible book value of the Company divided by the number of shares of Common Stock outstanding. The net tangible book value of the Company represents its total assets less its total liabilities and intangible assets (consisting primarily of goodwill).

As of March 31, 1996, the net tangible book value of the Company was approximately $4,410,000, and the net tangible book value per share was approximately $0.79. The pro forma net tangible book value of the Company as of March 31, 1996 was approximately $38,578,000, and the pro forma net tangible book value per share was approximately $4.43, after giving effect to (i) the sale of the 3,000,000 shares of Common Stock offered hereby (at an assumed initial public offering price of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus, and after the deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) and (ii) payment of the Safe Way Note, which was outstanding as of March 31, 1996 and is payable upon completion of this Offering by payment of $992,000 in cash and delivery of 98,001 shares of Common Stock. This difference represents an immediate increase in net tangible book value per share of $3.64 to existing stockholders and an immediate dilution in net tangible book value per share of $7.57 to new investors purchasing Common Stock in this Offering. The following table illustrates this per share dilution:

Assumed initial public offering price per share	$ 12.00
Net tangible book value per share before this Offering	0.79
Increase per share attributable to new investors (1)	3.64
Pro forma net tangible book value per share after this Offering	4.43
Dilution per share to new investors	$ 7.57

- ------------------------

(1) After deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company.

The following table summarizes, on a pro forma basis as of March 31, 1996, the difference between the number of shares of Common Stock purchased from the Company, the total consideration paid and the average price per share paid by the existing stockholders and by new investors purchasing Common Stock in this Offering (at an assumed initial public offering price of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus, before deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company):

	SHARES PURCHASED		TOTAL CASH CONSIDERATION		AVERAGE PRICE
	NUMBER	PERCENT	AMOUNT	PERCENT	PER SHARE
Existing shareholders	5,714,652	65.6%	$ 49,677,000	58.0%	$ 8.69
New investors	3,000,000	34.4	36,000,000	42.0	12.00
Total	8,714,652	100.0%	$ 85,677,000	100.0%	

Both of these tables assume no exercise of outstanding options and warrants and no exercise of the Underwriters' over-allotment option. As of March 31, 1996, there were outstanding options to purchase 1,013,077 shares of Common Stock, at a weighted average exercise price of $0.66 per share, and outstanding warrants to purchase 242,396 shares of Common Stock, at a weighted average exercise price of $4.52 per share. To the extent that these options and warrants are exercised, there will be further dilution to new investors.

CAPITALIZATION

The following table sets forth, as of March 31, 1996, the actual capitalization of the Company, the capitalization of the Company on a pro forma basis, and the capitalization of the Company on a pro forma basis as adjusted to give effect to (i) a reverse 1-for 5.3089 stock split to be effective immediately prior to completion of this Offering, (ii) the redesignation of outstanding shares of Class A Common Stock and Class B common stock as a like number of shares of Common Stock effective upon completion of this Offering, (iii) the receipt and application by the Company of the estimated net proceeds from the sale of the 3,000,000 shares of Common Stock offered hereby (at an assumed initial public offering price of $12.00 per share, the mid-point of the price range as set forth on the cover page of this Prospectus, and after the deduction of estimated underwriting discounts and commissions and estimated offering expenses payable by the Company) and (iv) the decrease in authorized common stock from 58,000,000 to 30,000,000 shares:

	MARCH 31, 1996		
	ACTUAL	PRO FORMA (1)	PRO FORMA, AS ADJUSTED
	(IN THOUSANDS)		
Short-term debt:			
Current portion of long-term debt	$ 759	$ 2,593	$ 759
Long-term debt:			
Industrial development revenue bonds and other	2,564	2,564	2,342
Note payable to bank	952	952	0
Note payable	2,480	2,480	0
Total long-term debt	5,996	5,996	2,342
Shareholders' Equity:			
Common Stock, $0.01 par value; 30,000,000 shares authorized actual; 5,616,651 shares issued and outstanding actual, 8,714,652 shares issued and outstanding pro forma, as adjusted	56	56	87
Additional paid-in-capital	49,621	49,621	83,758
Accumulated deficit	(37,449)	(37,449)	(37,449)
Total shareholders' equity	12,228	12,228	46,396
Total capitalization	$ 18,983	$ 20,817	$ 49,497

- ------------------------

(1) Adjusted to give effect to the acquisition of certain assets of Sharps Incinerator of Fort, Inc. in April 1996 and the acquisition of certain assets of Doctors Environmental Control, Inc. in May 1996. See Note 2 to the Condensed Consolidated Financial Statements.

SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial data of the Company. The statements of operations data for the years ended December 31, 1991, 1992, 1993, 1994 and 1995 and the balance sheet data at December 31, 1991, 1992, 1993, 1994 and 1995 have been derived from the consolidated financial statements of the Company, which are included elsewhere in this Prospectus and which have been audited by Ernst & Young LLP, independent auditors. The statements of operations data for the three months ended March 31, 1996 and the balance sheet data at March 31, 1995 and 1996 are derived from unaudited financial statements included elsewhere in this Prospectus. The unaudited financial statements include all adjustments, consisting only of normal recurring adjustments, that the Company considers necessary for a fair presentation of the financial position and results of operations for that period. Operating results for the three months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 1996. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements, Condensed Consolidated Financial Statements and related Notes thereto included elsewhere in this Prospectus.

	YEAR ENDED DECEMBER 31,					THREE MONTHS ENDED MARCH 31,	
	1991	1992(2)	1993	1994	1995	1995	1996
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)						
STATEMENTS OF OPERATIONS DATA:							
Revenues	$ 1,563	$ 5,010	$ 9,141	$ 16,141	$ 21,339	$ 5,446	$ 5,578
Cost of revenues	1,845	5,198	8,947	13,922	17,478	4,227	4,337
Selling, general and administrative expenses	3,377	11,223	5,988	7,927	8,137	2,762	1,505
Loss from operations	(3,659)	(11,411)	(5,794)	(5,708)	(4,276)	(1,543)	(264)
Interest expense	(77)	(244)	(245)	(260)	(277)	(54)	(83)
Interest income	243	283	201	156	9	6	--
Other	(160)	(268)	(190)	--	--	--	--
Net loss	(3,653)	(11,640)	(6,028)	(5,812)	(4,544)	(1,591)	(347)
Less cumulative preferred dividends	(1,351)	(2,737)	(3,733)	(4,481)	--(3)	(1,573)	--
Loss applicable to common stock	$ (5,004)	$ (14,377)	$ (9,761)	$ (10,293)	$ (4,544)	$ (3,164)	$ (347)
Net loss per common share (1)	$ (1.95)	$ (4.99)	$ (3.41)	$ (3.59)	$ (.70)	$ (1.10)	$ (.05)
Weighted average number of common shares outstanding	2,566,218	2,878,292	2,862,292	2,864,292	6,495,310	2,864,292	6,577,287

	DECEMBER 31,					MARCH 31,
	1991	1992	1993	1994	1995	1996
	(IN THOUSANDS)					
BALANCE SHEET DATA:						
Cash and cash equivalents	$ 7,046	$ 11,343	$ 7,690	$ 1,206	$ 138	$ 120
Total assets	12,720	21,368	21,355	27,809	23,491	23,876
Long-term debt, net of current maturities	1,256	2,935	2,293	4,838	5,622	5,996
Convertible redeemable preferred stock	$ 20,617	$ 40,354	$ 52,079	$ 62,909	--	--
Shareholders' equity (net capital deficiency)	$ (11,068)	$ (25,663)	$ (35,106)	$ (45,363)	$ 12,574	$ 12,228

- ---

(1) See Note 2 to the Consolidated Financial Statements for information concerning the computation of loss per share.

(2) During 1992, the Company approved a restructuring plan which resulted in a nonrecurring charge of $2,747,000, primarily to write-off assets associated with a technology used by the Company prior to the development of the ETD process.

(3) In August 1995 and in connection with a recapitalization, the liquidation preference on the Company's preferred stock was eliminated and the Company's preferred stock was reclassified as Class A common stock. See "Description of Capital Stock -- 1995 Recapitalization."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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, CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES THERETO INCLUDED ELSEWHERE IN THIS PROSPECTUS.

BACKGROUND

The Company was incorporated in March 1989. The Company provides regulated medical waste collection, transportation, treatment, disposal, reduction, reuse and recycling services to its customers, together with related training and education programs and consulting services. The Company also sells ancillary supplies and transports pharmaceuticals, photographic chemicals, lead foil and amalgam for recycling in selected geographic service areas. As part of its recycling services, the Company supplies recycled treated medical waste plastics to a plastics manufacturer and supplies treated medical waste as a refuse-derived fuel for use in the production of electricity. The Company's regulated medical waste treatment facilities utilize its patented treatment technology, ELECTRO-THERMAL DEACTIVATION ("ETD"). The Company opened its first full-scale ETD treatment facility in Morton, Washington in January 1992 and opened additional treatment facilities in Loma Linda, California, Woonsocket, Rhode Island, and Yorkville, Wisconsin in November 1992, December 1992 and November 1993, respectively.

The Company's results of operations from its inception through December 31, 1995 reflect significant expenditures to develop proprietary treatment and recycling processes, obtain required governmental permits and approvals, build and equip the Company's treatment facilities and a recycling and research and development center, and open its transfer stations. The Company also made significant expenditures to develop its sales and marketing resources and to acquire selected assets of other regulated medical waste management businesses. The Company believes that additional revenues for its existing treatment facilities, and in particular additional revenues derived from Alternate Care generators (as defined below), will significantly enhance operating efficiencies at the Company's treatment facilities, all of which currently operate at levels below capacity.

The Company's revenues have increased from $1,563,000 in 1991 to $21,339,000 in 1995. From January 1991 to July 1993, the Company relied entirely on its internal sales force to add new customers in existing geographic service areas and to develop customers in new areas. The Company's sales force consisted of sales representatives with backgrounds in the health care industry. Beginning in 1993, these direct sales enabled the Company to generate sufficient revenues to cover its cost of revenues.

Since August 1993, the Company has acquired selected assets of eight regulated medical waste management companies. In each of these acquisitions the Company purchased specific assets of the seller consisting principally of customer lists, customer contracts, vehicles and related supplies and equipment. In some of these acquisitions the Company also assumed certain of the seller's liabilities. The Company did not acquire any of the regulated medical waste treatment facilities or technology of any of the sellers, and those sellers with their own regulated medical waste treatment facilities within the service areas of the acquired businesses subsequently closed their facilities. All of these acquisitions were accounted for as purchases, and accordingly, the results of operations of the acquired businesses have been included in the Company's financial statements only from their respective dates of acquisition and have affected period-to-period comparisons of the Company's operating results. The Company anticipates that a significant portion of its future growth will come from the acquisition of additional regulated medical waste management or related businesses. Such additional acquisitions could continue to affect period-to-period comparisons of the Company's operating results.

RESULTS OF OPERATIONS

GENERAL

Revenues from regulated medical waste collection, transportation, treatment and disposal accounted for approximately 95% of the Company's revenues of $21,339,000 during the year ended December 31, 1995. Revenues from the sale of ancillary supplies and miscellaneous products and services accounted for the remaining 5% of the Company's 1995 revenues.

The Company derives its revenues from services to two principal types of generators of regulated medical waste: (i) hospitals, blood banks and pharmaceutical manufacturers ("Core" generators) and (ii) long-term and subacute care facilities, outpatient clinics, medical and dental offices, industrial clinics, dialysis centers, laboratories, biotechnology and biomedical companies, veterinary offices, municipal health departments, ambulance, fire and police departments, correctional facilities, schools and park districts and funeral homes ("Alternate Care" generators). Substantially all of the Company's services are provided pursuant to customer contracts specifying either scheduled or on-call regulated medical waste management services, or both. Contracts with hospitals and other Core generators, 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. Contracts with Alternate Care generators generally provide for annual price increases and have an automatic renewal provision unless the customer notifies the Company prior to completion of the contract. As of December 31, 1995, the Company had more than 13,000 customers.

In 1993, the Company began to make acquisitions of selected assets, including customer lists and customer contracts, of competitors who were withdrawing in whole or in part from the regulated medical waste management business. These acquisitions provided the Company with a substantial new base of customers, principally Alternate Care generators. These new customers provided the Company with additional volume for its treatment facilities, generally at a higher unit pricing than the unit pricing of Core generators. Alternate Care generators typically require greater service and support in relation to the volume of regulated medical waste produced than do Core generators, and accordingly, the Company can price its services at levels permitting it to realize higher gross profit margins on Alternate Care generators than it can realize on Core generators. The growth in the number of Alternate Care generators that the Company serves has contributed to an improvement in the Company's operating results. The Company has continued to pursue acquisitions within the geographic areas in which it currently operates and to focus on acquisitions that provide the desired proportion of Core and Alternate Care generators and allow the Company to improve the efficiency of its transportation, treatment and sales functions.

Prices for the Company's services are determined on the basis of the type and frequency of the services required, the weight and types of regulated medical waste to be collected, container count, container volume, type and quantity of equipment and supplies furnished, distance to collection site, types of medical waste, special treatments required, state tariffs and prices charged for similar services by competitors. The Company's ability to pass on cost increases may be limited by the terms of its contracts. Service agreements are generally for a period of one to five years with renewal options, although customers may terminate on written notice and typically upon payment of a penalty.

The Company's operating expenses for the collection, transportation, treatment and disposal of regulated medical waste include direct labor wages and benefits, equipment lease payments, expenses for fuel, electricity, processing, safety supplies, containers, ancillary supplies and equipment maintenance, depreciation of plant, equipment, vehicles and containers, and disposal fees paid to landfills and waste-to-energy facilities.

As part of the Company's marketing strategy, the Company offers reduction, resource recovery and recycling services to customers. Accordingly, the Company has invested funds to treat and recover the plastics from single-use products, and as a part of that strategy, the Company has entered into an agreement with a plastic products manufacturer to provide recycled regulated medical waste plastics for use in a line of medical waste sharps containers. The Company has delivered the recycled plastics as required under the agreement and continues to recycle plastics as part of the Company's commitment to provide environmentally sound alternatives to other regulated medical waste treatment methods. The demand for recycled treated regulated medical waste plastics is currently limited. The Company continues to search for additional uses and users of recycled plastics. See "Risk Factors -- Cost of Reuse and Recycling."

In 1994, as a result of increasing demand for customer service from the growing number of Alternate Care generators, the Company began implementing a transition from the use of a national contract carrier to its own transportation of regulated medical waste. The Company has obtained its own permits, hired and trained its own drivers, purchased or leased its own trucks and trailers and obtained approvals for and opened transfer stations. The Company believes that since it has assumed control of transportation, it has been able to improve service levels, equipment utilization and route density and provide more efficient dispatching.

Selling, general and administrative expenses include management salaries and benefits, clerical and administrative expenses, costs associated with the sales force, permitting fees, research and development expenses, office rental expenses, legal and audit expenses, travel expenses, depreciation of office equipment and amortization of goodwill.

The Company expenses as incurred all permitting, design and start-up costs associated with all of its facilities. The Company elects to expense rather than to capitalize the costs of obtaining permits and approvals for each proposed facility regardless of whether the Company is ultimately successful in obtaining the desired permits and approvals and developing the facility. The Company recognizes as a current expense all legal fees and other costs related to obtaining and maintaining permits and approvals. In addition, the Company expenses all costs related to research and development as incurred.

The Company has currently invested $1,000,000 and expensed $800,000 against operating results in a project to utilize treated medical waste as an alternative fuel for use in the production of cement. The Company may be required to expend additional amounts to complete this project or may abandon the project if it is unable to incorporate successfully the treated medical waste into the cement production process.

As of December 31, 1995, the Company had net operating loss carryforwards for income tax purposes of approximately $36,493,000, expiring beginning in 2004. No income tax expense has been recorded since the Company's inception. Utilization of the Company's net operating loss carryforwards may be subject to annual limitations under the Internal Revenue Code of 1986, as amended, as a result of changes in the Company's ownership, which could significantly restrict or partially eliminate their utilization.

Inflation has not had a significant impact to date on the Company's operations.

QUARTER ENDED MARCH 31, 1996 COMPARED TO QUARTER ENDED MARCH 31, 1995

REVENUES. Revenues increased $132,000, or 2.4%, to $5,578,000 during the quarter ended March 31, 1996 from $5,446,000 during the comparable quarter in 1995 as the Company continued to implement its strategy of focusing on higher-margin Alternate Care generators while simultaneously paring certain higher-revenue but lower-margin accounts with Core generators. This increase also reflects the inclusion of a full quarter of revenues from the Safetech Health Care, Inc. ("Safetech") acquisition, which was completed in June 1995, and two months of revenues from the WMI Medical Services of New England, Inc. ("WMI-NE") acquisition, which was completed in January 1996. The increase in revenues was partially offset by a decline in revenues attributable to a lack of any miscellaneous product sales during the quarter ended March 31, 1996 and the sale in April 1995 of certain unprofitable customer accounts and related assets obtained through acquisitions.

COST OF REVENUES. Cost of revenues increased $110,000, or 2.6%, to $4,337,000 during the quarter ended March 31, 1996 from $4,227,000 during the comparable quarter in 1995. The principal reasons for the increase were higher transportation costs as a result of the Safetech and WMI-NE acquisitions and start-up expenses related to the Company's expansion into new geographic areas where the Company primarily serves Alternate Care generators. Cost of revenues as a percentage of revenues increased slightly to 77.8% during the quarter ended March 31, 1996 from 77.6% during the comparable quarter in 1995.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses decreased to $1,505,000 during the quarter ended March 31, 1996 from $2,762,000 during the comparable quarter in 1995. This decrease was primarily attributable to a reduction in research and development expenditures to develop treated medical waste as an alternate fuel for the production of cement and to savings from the integration into the Company's operations of the Safe Way Disposal Systems, Inc. ("Safe Way") acquisition in September 1994. These savings resulted from the elimination of redundant employee and staff positions and the reallocation of resources to Alternate Care generators. In addition, corporate costs and permitting expenses were at lower levels during the quarter ended March 31, 1996 than they were during the comparable quarter in 1995. Selling, general and administrative expenses as a percentage of revenues decreased to 27.0% during the quarter ended March 31, 1996 from 50.7% during the comparable quarter in 1995.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense increased to $83,000 during the quarter ended March 31, 1996 from $54,000 during the comparable quarter in 1995. This increase was primarily attributable to higher indebtedness under the Company's revolving credit facility. Interest income declined to a negligible amount during the quarter ended March 31, 1996 from $6,000 during the comparable quarter in 1995.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

REVENUES. Revenues increased $5,198,000, or 32.2%, to $21,339,000 in 1995 from $16,141,000 in 1994. This increase was attributable primarily to the inclusion of a full year of revenues from customers acquired as a result of the Recovery Corporation of Illinois ("RCI") acquisition, which was completed in March 1994, and the Safe Way acquisition, which was completed in September 1994. Revenues for 1995 reflected only a partial year of revenues from the Safetech acquisition, which was completed in June 1995.

COST OF REVENUES. Cost of revenues increased $3,556,000, or 25.5%, to $17,478,000 in 1995 from $13,922,000 in 1994. The principal reasons for the increase were higher transportation costs, processing costs, disposal volumes and container costs attributable to additional customers acquired during 1995. Cost of revenues as a percentage of revenues decreased to 81.9% in 1995 from 86.3% in 1994. This percentage decrease was primarily due to increased utilization of the Company's treatment facilities and transportation equipment as a result of increased volumes.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $8,137,000 in 1995 from $7,927,000 in 1994. The increase was primarily attributable to an increase in amortization expense as a result of additional goodwill from the Company's acquisitions. Selling, general and administrative expenses as a percentage of revenues decreased to 38.1% in 1995 from 49.1% in 1994. This percentage decrease was due primarily to lower permitting costs and reduced administrative expenses, as partially offset by higher goodwill amortization expense.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense increased to $277,000 in 1995 from $260,000 in 1994, primarily as a result of commitment fees and higher interest rates associated with the Company's revolving credit facility. In addition, the Company incurred higher levels of indebtedness during 1995. Interest income decreased to $9,000 in 1995 from $156,000 in 1994.

YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

REVENUES. Revenues increased $7,000,000, or 76.6%, to $16,141,000 in 1994 from $9,141,000 in 1993. This increase was attributable primarily to the inclusion of revenues from customers acquired as a result of the RCI and Safe Way acquisitions, which were completed in March and September 1994, respectively, and the addition of Core generators as new customers.

COST OF REVENUES. Cost of revenues increased $4,975,000, or 55.6%, to $13,922,000 in 1994 from $8,947,000 in 1993. The primary reasons for this increase were higher transportation costs, processing costs, disposal volumes and container costs attributable to additional customers and the inclusion of a full year's depreciation expense for the Company's Yorkville, Wisconsin treatment facility. Cost of revenues as a percentage of revenues decreased to 86.3% in 1994 from 97.9% in 1993. This percentage decrease was primarily due to increased utilization of the Company's treatment facilities and transportation equipment as a result of increased volumes.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased to $7,927,000 in 1994 from $5,988,000 in 1993. This increase was the result of an increase in sales personnel as a result of the Safe Way acquisition, additional marketing and sales expenses for Alternate Care generators and an increase in amortization expense as a result of additional goodwill from the Company's acquisitions. Selling, general and administrative expenses as a percentage of revenues decreased to 49.1% in 1994 from 65.5% in 1993. This percentage decrease was primarily due to the integration of sales and administrative personnel resulting from the Company's Safe Way acquisition.

INTEREST EXPENSE AND INTEREST INCOME. Interest expense increased to $260,000 in 1994 from $245,000 in 1993 primarily as a result of additional debt related to equipment financing at the Company's Yorkville, Wisconsin treatment facility. Interest income decreased to $156,000 in 1994 from $201,000 in 1993.

OTHER EXPENSES. Other expenses of $190,000 were incurred in 1993 in the development of a treatment facility.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has been financed principally through the sale of preferred stock to investors. Purchasers of preferred stock have invested more than $49,677,000 in capital which has been used to fund research and development, acquisitions, capital expenditures, ongoing operating losses and working capital requirements. The Company has also been able to secure plant and equipment leasing or financing in connection with some of its facilities. These debt facilities are secured by security interests in the financed assets. In addition, during 1995 the Company was able to obtain a $2,500,000 revolving line of credit secured by accounts receivable and a security interest in all other assets of the Company.

During 1995 the Company's stockholders approved a plan of recapitalization, pursuant to which all of the Company's outstanding shares of preferred stock were reclassified as shares of new Class A common stock. As a result, the Company was able to eliminate any liability for accrued but unpaid dividends on its preferred stock and the preferential rights on liquidation of holders of preferred stock.

At March 31, 1996, the Company's working capital was $39,000 compared to $1,770,000 at March 31, 1995. This reduction was due to a lower cash position, a lower level of accounts receivable as a result of improved collections, a lower level of prepaid insurance and a reduced supply of recycled plastics. The Company continues to use all available cash and working capital to fund current operating losses and capital requirements. During the quarter ended March 31, 1996, the Company's loss from operations of $264,000 was exceeded by its depreciation and amortization expense of $479,000, resulting in cash flow from operations of $215,000.

The Company is also using its line of credit to fund cash requirements of any acquisitions. At March 31, 1996, the Company had drawn $952,000 on its line of credit and had approximately $1,348,000 available. The revolving credit facility matures in October 1997. The facility requires the Company to maintain certain financial ratios and consult with the bank on acquisitions and also includes a prohibition on the payment of dividends. In April 1996, the Company used substantially all of its remaining line of credit to fund the cash portion of two additional acquisitions, for Doctors Environmental Control, Inc. and Sharps Incinerator of Fort, Inc. The bank agreed to revise certain financial covenants in order to allow the Company to complete the acquisitions. The loan agreement allows the bank to demand immediate repayment of the Company's indebtedness if the bank, acting in a commercially reasonable manner, deems itself insecure.

In May 1996, the Company borrowed $1,000,000 under a short-term loan from a lending group comprised of certain officers, directors and stockholders of the Company to provide working capital. The subordinated notes issued in connection with this loan are interest-free if paid when due, subject to certain exceptions, and are due within 30 days after completion of this Offering. See "Certain Transactions."

The Company's other financial obligations include industrial development revenue bonds issued on behalf of and guaranteed by the Company to finance its Woonsocket, Rhode Island treatment facility and equipment. These bonds, which had an outstanding balance of $1,602,000 as of March 31, 1996, require monthly payments of approximately $25,000 and are due in various amounts through June 2017 at fixed interest rates ranging from 5.8% to 7.4%. An agreement entered into by the Company in connection with the issuance of these bonds requires the Company to maintain specified levels of working capital and other debt and net worth ratios. As of December 31, 1995, the Company reclassified its reusable containers as long-term assets based upon their expected useful lives, which resulted in a violation of the Company's requirement to maintain a specified current ratio on December 31, of each year. The Company received a waiver of this requirement for December 31, 1995, to the extent of any violation as a result of the Company's reclassification of its reusable containers. Any violation of this or the other requirements of the Company's agreement in connection with the issuance of the industrial development revenue bonds would constitute a default under the Company's revolving credit facility with Silicon Valley Bank.

In connection with the Safe Way acquisition, the Company issued the Safe Way Note which does not bear interest and is due upon completion of this Offering. The Safe Way Note is payable in cash for 40% of its face amount, or $992,000, and 60% in stock, or 98,001 shares of Common Stock.

The Company has an obligation to pay the Rhode Island Air and Water Protection Fund $35,000 each year from 1995 to 1998, $50,000 in 1999, $60,000 in 2000 and $150,000 in 2001. Without admitting liability, the Company agreed to make these payments as part of a settlement of two notices of violations issued by the Rhode

Island Department of Environmental Management in 1994 and 1995. Although the Company disputed both the nature and extent of the alleged violations, the Company entered into the settlement in order to resolve the matter in the best interests of the Company and its customers in a timely manner. The Company recorded the present value of all payments to the Air and Water Protection Fund and the Company's legal fees relating to the matter as expenses in 1995. Under the settlement agreement, the Company is also required to perform certain community service and educational projects, including conducting environmental management seminars. The Company has accrued the expenses associated with conducting these activities. See "Risk Factors -- Impact of Government Regulation."

Capital expenditures for 1996 are currently estimated to be approximately $2,350,000, of which approximately $1,600,000 is for the construction and equipping of a treatment facility at the Company's San Leandro, California transfer station and approximately $750,000 is for containers and transportation equipment. Capital expenditures were $726,000 in 1995 and $1,910,000 in 1994. The Company did not open any new treatment facilities during 1995. The Company may decide to build additional treatment facilities as volumes increase in the Company's current geographic services areas or as the Company enters new areas. The Company also may elect to increase capacity in its existing treatment facilities, which would require additional capital expenditures. In addition, capital requirements for transportation equipment will continue to increase as the Company grows. The amount and level of these expenditures cannot be determined currently as they will depend upon the nature and extent of the Company's growth and acquisition opportunities. The Company believes that cash flow from operations and funds provided from this Offering will fund its capital requirements through 1997.

Net cash used for operations decreased to $871,000 in 1995 from $6,712,000 in 1994. The reduced cash usage reflects a smaller operating loss, higher depreciation and amortization expenses and improved collections of accounts receivables.

Net cash used in investing activities was $393,000 in 1995 compared to $3,440,000 in 1994. The reduction in 1995 from the prior year was due to reduced plant requirements and fewer business acquisitions. The Company benefitted from the sale in April 1995 of certain unprofitable customer accounts and related assets obtained through acquisitions.

Net cash provided by financing activities decreased to $196,000 in 1995 from $3,668,000 in 1994. The difference is primarily attributable to no issuance of preferred stock during 1995 compared to the issuance of $3,458,000 in preferred stock in 1994.

INTRODUCTION

Stericycle is a multi-regional integrated company employing proprietary technology to provide environmentally-responsible management of regulated medical waste for the health care industry. Because of the Company's health care orientation, proprietary technology and breadth of service, the Company believes that it is in a unique position to meet the fundamental need of the health care industry to manage regulated medical waste in a safe and cost-effective manner and to capitalize on the current consolidation trend in the regulated medical waste management industry. The Company believes that its exclusive focus on regulated medical waste and the experience of its management in the health care industry distinguish the Company from its chief competitors, most of whom participate in multiple businesses and most of whose management experience is primarily in the solid waste business. The Company believes that its regulated medical waste management system, including its proprietary ELECTRO-THERMAL-DEACTIVATION ("ETD") treatment process, is the only commercially-proven system that provides all of the following benefits: (i) it kills human pathogens in regulated medical waste without generating liquid effluents or regulated air emissions; (ii) it affords certain operating cost advantages over the principal competing treatment methods; (iii) it reduces the volume of regulated medical waste by up to 85%; (iv) it renders regulated medical waste unrecognizable; (v) it permits the recovery and recycling of usable plastics from regulated medical waste; and (vi) it enables the remaining regulated medical waste to be safely landfilled or used as an alternative fuel in energy production. The Company's full-service program is designed to help to protect its customers and their employees against potential liabilities and injuries in connection with the handling, transportation and disposal of regulated medical waste.

The Company's integrated services include regulated medical waste collection, transportation, treatment, disposal, reduction, reuse and recycling services, together with related training and education programs, consulting services and product sales, in four geographic service areas: (i) California; (ii) Washington, Oregon, Idaho and British Columbia; (iii) Wisconsin, Illinois, Indiana and Michigan; and (iv) Massachusetts, Maine, New Hampshire, Vermont, Rhode Island, Connecticut, New York and New Jersey. As of December 31, 1995, the Company served over 13,000 customers, consisting of two principal types of generators of regulated medical waste. Approximately 70% of the Company's 1995 revenues were derived from hospitals, blood banks and pharmaceutical manufacturers ("Core" generators), and approximately 30% of its revenues were derived from long-term and subacute care facilities, outpatient clinics, medical and dental offices, industrial clinics, dialysis centers, laboratories, biotechnology and biomedical companies, veterinary offices, municipal health departments, ambulance, fire and police departments, correctional facilities, schools, park districts and funeral homes ("Alternate Care" generators). The Company's current operations are comprised of four treatment centers, one recycling center, five transfer stations and four customer service centers.

Regulated medical waste is generally defined as any waste that can cause an infectious disease or that can reasonably be suspected of harboring human pathogenic organisms. Regulated medical waste includes single-use disposable items such as needles, syringes, gloves and laboratory, surgical, emergency room and other supplies which have been in contact with blood or bodily fluids; cultures and stocks of infectious agents; and blood and blood products. An independent study published in 1995 estimated that the size of the regulated medical waste management market in the United States in 1995 was approximately $1 billion.

Based upon certain public information and the Company's estimates of its competitors' revenues, the Company believes that it is the second-largest provider of regulated medical waste management services in the United States.

TRENDS IN THE HEALTH CARE AND MEDICAL WASTE INDUSTRIES

The Company believes that the demand for its services will grow as a consequence of certain trends in the health care and regulated medical waste industries.

INCREASED AWARENESS OF REGULATED MEDICAL WASTE. The handling and disposal of the large quantities of regulated medical waste generated by the health care industry has attracted increased public awareness and regulatory attention. The proper management of potentially infectious medical waste gained national attention in 1988 when disposable syringes and other medical waste washed ashore on New Jersey and New York coastlines. These events

raised concerns about the potential transmission of hepatitis B, HIV and other infectious diseases. The Medical Waste Tracking Act of 1988 ("MWTA") was enacted in response to this problem and established a two-year demonstration program for the proper tracking and treatment of medical waste. Many states have enacted legislation modeled on MWTA's requirements.

In addition, OSHA has issued regulations concerning employee exposure to bloodborne pathogens and other potentially infectious material that require, among other things, special procedures for the handling and disposal of regulated medical waste and annual training of all personnel who are potentially exposed to blood and other bodily fluids. The Company believes that the scope of these regulations will help to expand the market for the Company's services beyond traditional providers of health care.

As a consequence of these legislative and regulatory initiatives, the Company believes that health care providers and other generators of regulated medical waste have become increasingly concerned about the handling, treatment and disposal of regulated medical waste. These concerns are reflected by their desire to (i) reduce on-site handling of regulated medical waste in order to minimize employee contact; (ii) assure safe transportation of regulated medical waste to treatment sites; (iii) assure destruction of potentially infectious human pathogens; (iv) render the treated regulated medical waste non-recognizable in order to reduce liability and to increase disposal options; (v) minimize the impact of the treatment process on the environment and the volume of solid waste deposited in landfills; and (vi) participate in recycling programs where possible.

GROWING IMPORTANCE OF ALTERNATE CARE GENERATORS. The Company believes that in response to managed care and other health care cost-containment pressures, patient care is increasingly shifting from higher-cost acute-care settings to less expensive off-site treatment alternatives. According to a report published by the U.S. Health Care Financing Authority, total alternate-site health care expenditures in the United States increased from approximately $5 billion in 1985 to approximately $22 billion in 1994. The Company believes that alternate-site health care expenditures will continue to grow in response to governmental and private cost-containment initiatives. Many common diseases and conditions, including pulmonary diseases, neurological conditions, infectious diseases, digestive disorders, AIDS and various forms of cancer are now being treated in alternate-site settings.

Alternate Care generators have become an increasingly important source of revenues in the regulated medical waste industry. An independent report in 1990 estimated that approximately 23% (by weight) of regulated medical waste was produced by Alternate Care generators. Based on the Company's experience, the Company believes both that this percentage has increased significantly and that Alternate Care generators account for a greater percentage of regulated medical waste treatment revenues than the percentage of regulated medical waste volume that they generate. Individual Alternate Care generators typically do not produce a sufficient volume of regulated medical waste to justify substantial capital expenditures on their own waste treatment facilities or the expense of hiring regulatory compliance personnel. Accordingly, the Company believes that Alternate Care generators are extremely service-sensitive, relying on their regulated medical waste management provider for timely waste removal, creative solutions for safer regulated medical waste handling, establishment of regulated medical waste management protocols, education on regulated medical waste reduction techniques and assistance with compliance and record-keeping. The Company believes that growth in the number of Alternate Care generators will generate growth in the overall regulated medical waste market and may provide growth opportunities for the Company.

HEALTH CARE COST CONTAINMENT INITIATIVES. The health care industry is under increasing pressure to reduce costs and improve efficiency. The Company believes that its regulated medical waste management services facilitate cost containment by health care providers by reducing their regulated medical waste tracking, handling and compliance costs, reducing their potential liability related to employee exposure to bloodborne pathogens and other potentially infectious material, and significantly reducing the amount of capital invested in on-site treatment of regulated medical waste.

SHIFT FROM ON-SITE INCINERATION TO OFF-SITE TREATMENT. The Company believes that during the past five years, government clean air regulations have increased both the capital costs required to bring many existing incinerators into compliance with such regulations and the operating costs of continued compliance. As a result, many hospitals have shut down their incinerators. This trend is expected to accelerate when the U.S. Environmental Protection Agency ("EPA") adopts proposed regulations which are currently being revised and are scheduled to be released in July 1997. These regulations are expected to limit the discharge into the atmosphere of nine pollutants released by

hospital waste incineration. The EPA had predicted that under the regulations as initially proposed, many of the nation's hospital-based incinerators would be shut down and that many planned medical waste incinerators would not be built due to the increased costs of installing air pollution control systems. The Company expects to benefit from this trend as former users of incinerators seek alternatives for the treatment of their regulated medical waste.

INDUSTRY CONSOLIDATION. Although the regulated medical waste management industry remains fragmented, the number of competitors is rapidly decreasing as a result of industry consolidation. National attention on regulated medical waste in the late 1980s led to rapid growth in the industry and a highly-fragmented competitive structure. Entrants into the industry included several large municipal waste companies and many independent haulers and incinerator operators. Since 1990, however, government clean air regulations and public concern about the environment have increased the costs and public opposition to both on- and off-site regulated medical waste incineration. As a result, the Company believes that independent haulers and incinerator operators have encountered increasing difficulty competing with integrated companies like Stericycle, which typically have their own low-cost treatment plants located within the geographic areas that they serve. The Company believes that many of these independent haulers and incinerator operators are withdrawing from the regulated medical waste industry. The Company's internal estimates show that in its geographic service areas, the number of competitors has fallen from approximately 50 in 1991 to approximately 30 in 1996, a decline of 40%. As a result of industry consolidation, the Company believes that it has increasing opportunities to acquire regulated medical waste management businesses.

GROWTH STRATEGY

The Company believes that it is currently the second-largest provider of regulated medical waste management services in the United States. The Company's goals are to accelerate its revenue growth through penetration of existing geographic service areas and expansion into new areas and to become profitable and increase profits through the more efficient use of its existing infrastructure.

INCREASED PENETRATION OF EXISTING SERVICE AREAS. All of the Company's treatment facilities are currently operating below capacity. Due to the high fixed costs associated with the collection and treatment of regulated medical waste, the Company's operating margins would increase with incremental volume gains. Accordingly, the Company is currently implementing a number of programs to increase customer density and penetration of its existing geographic service areas in order to maximize operating efficiencies. The Company focuses its telemarketing and direct sales efforts at securing agreements with new customers among both Core and Alternate Care generators. The Company intends to acquire competitors and enter into marketing alliances with various hospitals, health maintenance organizations, medical suppliers and others.

GEOGRAPHIC EXPANSION. In order to expand its geographic coverage, the Company plans, among other things, to develop additional transfer stations, acquire independent haulers and integrated competitors, expand its telemarketing and direct sales efforts and where appropriate construct new treatment facilities. The Company estimates that its existing transportation and treatment system enables it to serve effectively an area encompassing approximately 25% of the U.S. population. The Company believes that expanding its "hub and spoke" transportation strategy would allow it to maximize the utilization of existing treatment facilities by channeling waste through existing and additional transfer stations. The Company estimates that doing so would enable it to serve effectively an area encompassing approximately 55% of the U.S. population. In order to reach new geographic service areas, the Company is exploring acquiring independent haulers and integrated competitors. The Company is also investigating expanding into international markets. The Company believes that expanding telemarketing and direct sales efforts will increase customer density in existing and new geographic service areas. A combination of these factors may lead to the construction of additional treatment and other facilities.

OTHER GROWTH OPPORTUNITIES. The Company believes that it has the opportunity to expand its business by increasing the range of products and services that it offers to its existing customers and by adding new customer categories. The Company, for example, may expand its collection, treatment, disposal and recycling of regulated medical waste generated by health care providers to include wastes that are currently handled by the Company only on a limited basis, such as photographic chemicals, lead foils and amalgam used in dental and radiology laboratories. In addition, the Company may decide to offer single-use disposable medical supplies to its customers. The Company is exploring marketing alliances with organizations that focus on Alternate Care generators.

ACQUISITION PROGRAM

The acquisition of other regulated medical waste management businesses, including both independent haulers and integrated competitors, is a key element of the Company's strategy to increase the number of customers in its current markets and to expand its operations geographically. Many of these potential acquisition candidates participate in both the solid waste industry as well as the regulated medical waste industry. The Company believes that its exclusive focus on the regulated medical waste industry makes it an attractive buyer for the medical waste operations of these companies. The Company believes that its expansion strategy also makes it an attractive buyer to haulers whose owners may wish to remain active in their businesses, both as managers and as equity holders, while participating in the growth potential inherent in an industry consolidation. In addition, the Company believes that its customer-service focus makes it an attractive buyer to owners who place significant importance on the assurance that their customers will receive quality service following the sale of their businesses.

The Company's senior management is actively involved in identifying acquisition candidates and consummating acquisitions. In determining whether to proceed with a business acquisition, the Company evaluates a number of factors, including: (i) the composition and size of the seller's customer base; (ii) the efficiencies that may be obtained when the acquisition is integrated with one or more of the Company's existing operations; (iii) the potential for enhancing or expanding the Company's geographic service area and allowing the Company to make other acquisitions in the same service area; (iv) the seller's historical and projected financial results; (v) the purchase price negotiated with the seller and the Company's expected internal rate of return; (vi) the experience, reputation and personality of the seller's management; (vii) the seller's customer service reputation and relationships with the communities that it serves; and (viii) if the acquisition involves the assumption of liabilities, the extent and nature of the seller's liabilities, including environmental liabilities. Following this Offering, the Company will also consider the effect of the proposed acquisition on the Company's earnings per share as an evaluation factor.

The Company has established a procedure for efficiently integrating newly-acquired companies into its business while minimizing disruption of the continuing operations of both the Company and the acquired business. Once a medical waste management business is acquired, the Company promptly implements programs designed to improve customer service, sales, marketing, routing, equipment utilization, employee productivity, operating efficiencies and overall profitability.

The Company anticipates that its future acquisitions of other regulated medical waste management businesses will be made by the payment of cash, including cash from the net proceeds of this Offering, the issuance of debt or equity securities or a combination of these methods. The Company believes that its acquisition strategy will be enhanced by the fact that the Company's Common Stock will be publicly-traded. Historically, the Company's acquisition strategy has been to acquire selected assets of regulated medical waste management businesses, consisting principally of customer lists, customer contracts, vehicles and related supplies and equipment. Some of the Company's acquisitions have also involved the Company's assumption of certain liabilities of the seller. The following table shows the Company's completed acquisitions since the Company began its acquisition program in August 1993.

ACQUISITIONS SINCE AUGUST 1993

SELLER	ACQUISITION DATE	LOCATION	STERICYCLE TREATMENT FACILITY
Therm-Tec Destruction Service of Oregon, Inc.	August 1993	Portland, OR	Morton, WA
Recovery Corporation of Illinois	March 1994	Lombard, IL	Yorkville, WI
Safe Way Disposal Systems, Inc.	September 1994	Middletown, CT	Woonsocket, RI
Safetech Health Care	June 1995	Valencia, CA	Loma Linda, CA
Bio-Med of Oregon, Inc.	January 1996	Portland, OR	Morton, WA
WMI Medical Services of New England, Inc.	January 1996	Hudson, NH	Woonsocket, RI
Doctors Environmental Control, Inc.	May 1996	Santa Ana, CA	Loma Linda, CA
Sharps Incinerator of Fort, Inc.	May 1996	Fort Atkinson, WI	Yorkville, WI

TREATMENT TECHNOLOGY

The three most common off-site commercial technologies for treating regulated medical waste are incineration, autoclaving and the Company's proprietary ETD treatment process. Alternative technologies and methods, which have not gained wide commercial acceptance, include chemical treatment, microwaving and certain specialized or experimental technologies, including the development and marketing of reusable or degradable medical products designed to reduce the generation of regulated medical waste. The Company believes that the ETD treatment process has certain advantages over incineration and autoclaving.

PRINCIPAL TREATMENT TECHNOLOGIES

- INCINERATION. Incineration accounts for approximately 70% of permitted off-site capacity to treat regulated medical waste. Incineration burns regulated medical waste at elevated temperatures and reduces it to ash. Like ETD, incineration significantly reduces the volume of waste, and it is the recommended treatment and disposal option for certain types of regulated medical waste such as anatomical waste or residues from chemotherapy procedures. Incineration has come under increasing criticism from the public and from state and local regulators, however, because of the airborne emissions that it generates. Emissions from incinerators can contain pollutants such as dioxins, furans, carbon monoxide, mercury, cadmium, lead and other toxins which are subject to federal, state and, in some cases, local regulation. The fly-ash by-product of incineration may also constitute a hazardous substance. As a result, there is a significant cost to construct new incineration facilities, or to improve existing facilities, to insure that their operation is in compliance with regulatory standards.

- AUTOCLAVING. Autoclaving accounts for approximately 22% of permitted off-site capacity to treat regulated medical waste. Autoclaving treats regulated medical waste with steam at high temperature and pressure to kill pathogens. The technology is most effective if all surfaces are uniformly exposed to the steam, but uniform exposure may not always occur, potentially leaving some pathogens untreated. In addition, autoclaving alone does not change the appearance of waste, and recognizable regulated medical waste may not be accepted by landfill operators. To compensate for this disadvantage, autoclaving may be combined with a shredding or grinding process to render the regulated medical waste non-recognizable. The high temperatures generated in the autoclaving process occasionally change the physical properties of plastic waste, prohibiting its recycling.

- ETD TREATMENT PROCESS. The Company's patented ETD treatment process accounts for approximately 7% of permitted off-site capacity to treat regulated medical waste. ETD also includes a proprietary system for grinding regulated medical waste. ETD uses an oscillating energy field of low-frequency radio waves to heat regulated medical waste to temperatures that destroy pathogens such as viruses, vegetative bacteria, fungi and yeast without melting the plastic content of the waste. ETD is most effective on materials with low

electrical conductivity that contain polar molecules, including all human pathogens. Polar molecules are molecules that have an asymmetric electronic structure and tend to align themselves with an imposed electric field. When the polarity of the applied field changes rapidly, the molecules try to keep pace with the alternating field direction, thus vibrating and in the process dissipating energy as heat. The Company believes that the electric field created by ETD produces high molecular agitation and thus rapidly creates high temperatures. All of the molecules exposed to the field are agitated simultaneously, and accordingly, heat is produced evenly throughout the waste instead of being imposed from the surface as in conventional heating. This phenomenon, called volumetric heating, transfers energy directly to the waste, resulting in uniform heating throughout the entire waste material and eliminating the inherent inefficiency of transferring heat first from an external source to the surface of the waste and then from the surface to the interior of the waste material. ETD employs low-frequency radio waves because they can penetrate deeper than high-frequency waves, such as microwaves, which can penetrate regulated medical waste of a typical density only to a depth of approximately five inches. ETD uses specific frequencies that match the physical properties of regulated medical waste generally, enabling the ETD treatment process to kill pathogens while maintaining the temperature of the non-pathogenic waste at temperatures as low as 90 DEG. C. Although ETD is effective in destroying pathogens present in anatomical waste, the Company does not currently treat anatomical waste through the ETD process.

ADVANTAGES OF ETD. The Company believes that its proprietary ETD treatment process provides certain advantages over incineration and certain advantages over autoclaving.

- PERMITTING. It is difficult and time-consuming to obtain the permits necessary to construct and operate any regulated medical waste treatment facility, regardless of the treatment technology to be employed at the proposed facility. Local residents, citizen groups and elected officials frequently object to the construction and operation of proposed regulated medical waste treatment facilities solely because regulated medical waste will be transported to and stored and handled at the facility. The Company believes, however, that the fact that the ETD treatment process does not generate liquid effluents or regulated air emissions may enable the Company to locate treatment facilities near dense population centers, where greater numbers of potential customers are found, with less difficulty than would be encountered by a competitor attempting to locate an incinerator in the same area.

- COST. The Company believes that it is less expensive to construct and operate an ETD treatment facility than to construct and operate either a like-capacity incinerator or a like-capacity autoclave with shredding capability, which may enable the Company to price its treatment services competitively. The Company believes that the comparative advantage that it possesses in its ability to locate treatment facilities near dense population centers may also provide transportation and operating efficiencies.

- VOLUME REDUCTION AND UNRECOGNIZABILITY. The Company's regulated medical waste management program reduces the overall volume of regulated medical waste in several ways. The Company's patented reusable container, called a STERI-TUB, replaces the use of corrugated containers for many Core and Alternate Care generators of large amounts of regulated medical waste, thus reducing waste volume by as much as 10-15%. Once medical waste has undergone the ETD treatment process, the original cubic volume of the waste is reduced by approximately 85%. This reduction in the volume of regulated medical waste is comparable to the volume reduction obtained by incineration. Autoclaving alone does not reduce the volume of regulated medical waste or render it unrecognizable. To reduce waste volume and to overcome the unwillingness of many landfill operators to accept recognizable treated regulated medical waste, autoclaving must be combined with a shredding or grinding operation, adding to its cost. A proprietary grinding feature is a component of the ETD treatment process. The Company believes that the ability of its ETD treatment process both to reduce the volume of regulated medical waste and to render it unrecognizable gives the process an advantage over autoclave operations that do not include shredding or grinding.

- REUSE AND RECYCLING. The Company believes that its reuse and recycling capabilities provide a marketing advantage with customers who prefer to use a regulated medical waste management provider with a commitment to resource conservation. The Company's customers can participate in a voluntary recycling program by source-segregating their regulated medical waste. The source-segregated regulated medical

waste is treated by the ETD treatment process and then processed through the Company's proprietary systems for the automatic recovery of polypropylene plastics. The recovered polypropylene plastics are used by a third party to manufacture a line of "sharps" containers which are used by health care providers to dispose of sharp objects such as needles and blades. In addition, in two of the Company's geographic service areas, the Company's treated regulated medical waste is transported to resource recovery facilities owned by third parties where it is used as refuse-derived fuel in "waste-to-energy" plants to produce electricity. The Company is working to develop a process in conjunction with a cement manufacturer to utilize treated regulated medical waste as a fossil fuel substitute in cement kilns. As a result of grinding, reuse and recycling, only approximately 7% of the original cubic volume of the regulated medical waste treated by the Company during 1995 was disposed of in landfills.

MARKETING AND SALES

MARKETING STRATEGY. The Company's marketing strategy is to provide customers with a complete cost management and compliance program for their regulated medical waste. In addition to its regulated medical waste collection, transportation, treatment and disposal services, the Company also offers a variety of training and education programs and consulting services to its customers. The Company's senior management and many of its other employees are experienced health care professions able to convey the importance of these issues in the healthcare marketplace.

The Company's marketing strategy recognizes that its potential customers are generally health care providers, who approach the problem of regulated medical waste management from a different perspective than typical generators of solid or municipal waste. Health care personnel have become increasingly sensitive to the risk of contracting diseases such as AIDS and hepatitis through accidental contact with infected patient blood. In addition, patients are increasingly demanding that practitioners demonstrate continual vigilance against such risks. Regulations which were recently adopted by OSHA require annual training of all personnel who potentially can come into contact with bloodborne pathogens and other potentially infectious materials. These regulations also require documentation of handling procedures and detailed clean-up plans. As a result, there has been heightened awareness by health care providers of the need to implement safeguards against such risks.

The Company has developed programs to help train employees of customers on the proper methods of handling, segregating and containing regulated medical waste in order to reduce their potential exposure. The Company can also advise health care providers on the proper methods of recording and documenting their regulated medical waste management in order to comply with federal, state and local regulations. In addition, the Company offers consulting and review services to such providers regarding their internal collection and control systems and assists them in developing systems to provide for the efficient management of their regulated medical waste from the point of generation through treatment and disposal. The Company also offers consulting services to its health care customers to assist them in reducing the amount of regulated medical waste at the point of generation.

The Company's marketing and sales efforts are an integral part of its strategy of pursuing opportunities for targeted growth. The Company attempts to focus its marketing and sales efforts on potential customers that will yield the greatest transportation and operating advantages.

CORE GENERATORS. The Company's marketing and sales efforts to Core generators are conducted by account executives whose responsibilities include identifying and attracting new customers and serving existing customers. In addition, the Company employs customer service representatives to assist its account executives. The Company's marketing and sales personnel are trained to understand the issues confronting Core generators of regulated medical waste. In addition to securing customer contracts, the Company's marketing and sales personnel provide consulting services to its health care customers to assist them in reducing the amount of regulated medical waste that they generate, training their employees on safety issues and implementing programs to audit, classify and segregate regulated medical waste in a proper manner.

The Company has secured several large and prestigious hospitals and health care institutions as customers, including Sharp HealthCare and Stanford University Medical Center in California; the Kaiser Permanente Medical Care Program in California, Washington and Oregon; Northwestern Memorial Hospital in Illinois; and VHA

Healthfront in New England. The Company believes that its relationship with these and other similarly well-known institutions will enhance its ability to market its services to other Core generators and surrounding Alternate Care generators.

The Company's marketing and sales efforts directed to Core generators are supplemented by several strategic marketing alliances. In October 1993, the Company entered into an alliance agreement with Baxter Healthcare Corporation ("Baxter"). A key component of this agreement is the expansion of Baxter's Procedure-Based Delivery System ("PBDS") to include regulated medical waste disposal by the Company. Under PBDS, Baxter hospital supplies are custom-packed in containers provided by the Company based on the requirements of a specific hospital and, in many cases, the requirements of a specific medical provider. Baxter's agreement to include regulated medical waste disposal as part of PBDS was intended to assist its customers in consolidating the specific costs of a patient procedure. In connection with the alliance agreement, Baxter paid $8,000,000 to purchase shares of the Company's preferred stock, of which the Company was required to spend $1,000,000 for research and development related to enhancements of the Company's technology to increase recycling of Baxter's products. In addition to the Baxter alliance, the Company has entered into strategic marketing alliances with several hospital associations pursuant to which the Company may receive endorsements or marketing assistance.

ALTERNATE CARE GENERATORS. The Company's marketing and sales efforts for Alternate Care generators are conducted by telemarketing representatives whose principal responsibility is utilizing the Company's proprietary database to identify and qualify potential customers and set appointments for the Company's trained field sales representatives. These field sales representatives provide follow-up customer service and ancillary product sales. The Company has refined its telemarketing system and believes it to be a cost-effective means to reach the numerous Alternate Care generators of small quantities of regulated medical waste. The Company's sales efforts are supplemented by several strategic marketing agreements with, for example, the Massachusetts Dental Society and the Sisters of Providence Health System in Washington and Oregon, under which the Company may receive endorsements or marketing assistance.

SERVICE AGREEMENTS. The Company negotiates individual service agreements with each Core and Alternate Care generator customer. Although the Company has a standard form of agreement, terms vary depending upon the customer's service requirements and volume of regulated medical waste generated. Service agreements typically include provisions relating to types of containers, frequency of collection, pricing, treatment and documentation for tracking purposes. Each agreement also specifies the customer's obligation to pack its regulated medical waste in approved containers. Service agreements are generally for a period of one to five years and include renewal options, although customers may terminate on written notice and typically upon payment of a penalty. Many payment options are available including flat monthly or quarterly charges. The Company may set its prices on the basis of the number of containers that it collects, the weight of the regulated medical waste that it collects and treats, the number of collection stops that it makes on the customer's route, the number of collection stops that it makes for a particular multi-site customer, and other factors.

The Company has a diverse customer base, with no single customer accounting for more than three percent of the Company's 1995 revenues. The Company does not believe that the loss of any single customer would have a material adverse effect on its business, financial condition or results of operations.

LOGISTICS

An important element of the Company's business strategy is to maximize the efficiency with which it collects and transports a large volume of regulated medical waste and directs the deployment of many collection vehicles. This aspect of the Company's operations -- referred to as logistics -- represents the Company's single largest operating cost. Accordingly, the Company considers logistics to be a critical component of its operating plan. The Company's integrated approach to regulated medical waste management is designed to provide it with numerous logistic advantages in the process of managing regulated medical waste.

PRE-COLLECTION. Before regulated medical waste is collected, the Company's integrated waste management approach can "build in" efficiencies that will yield logistic advantages. For example, the Company's consulting services can assist its customers in minimizing their regulated medical waste volume at the point of generation. In

addition, the Company provides customers with the documentation necessary for regulatory compliance which, if properly completed, will minimize interruptions in the regulated medical waste treatment cycle for verification of regulatory compliance.

CONTAINERS. A key element of the Company's pre-collection measures is the use of specially-designed containers by most of the Company's Core and Alternate Care generators of large volumes of regulated medical waste. The Company has developed and patented a reusable leak- and puncture-resistant container, called a STERI-TUB, made from recycled plastic. The STERI-TUB enables regulated medical waste generators to reduce costs by reducing the number of times that regulated medical waste is handled, eliminating the cost (and weight) of corrugated boxes and potentially reducing workers' compensation liability resulting from human contact with regulated medical waste. The Company recently introduced two smaller sizes of STERI-TUBS that are popular in certain areas of hospitals, such as the laboratory, and with many Alternate Care generators. The Company has also developed a step-on lid opener and a sliding lid that fit the various sizes of STERI-TUB and make STERI-TUBS even safer and more convenient to use. STERI-TUBS are designed to maximize the loads that will fit within the cargo compartments of standard trucks and trailers. The Company believes these features to be an improvement over its competitors' reusable "point-of-generation" containers. The Company's customers are responsible for packing their regulated medical waste in a STERI-TUB or approved corrugated container and placing the loaded containers at a designated collection area on their premises. If a customer generates a large volume of waste, the Company will place a large temporary storage container or trailer on the customer's premises. In order to maximize regulatory compliance and minimize potential liability, the Company will not accept medical waste unless it is properly packaged by customers in Company-supplied or Company-approved containers.

COLLECTION AND TRANSPORTATION. Efficiency of collection and transportation is a critical element of the Company's logistics. The Company seeks to maximize route density and the number of stops on each route. The Company also employs a tracking system for its collection vehicles which is designed to maximize logistic efficiency. The Company deploys dedicated collection vehicles of different capacities depending upon the amount of regulated medical waste to be collected at a particular stop or on a particular route. The Company collects containers of regulated medical waste from its customers at intervals depending upon customer requirements, terms of the service agreement and the volume of regulated medical waste produced. All containers are inspected at the customer's site prior to pickup. The waste is then transported directly to one of the Company's treatment facilities or to one of the Company's transfer stations where it is aggregated with other regulated medical waste and then transported to a treatment facility. In certain circumstances, the Company transports waste to other specially-licensed regulated medical waste treatment facilities. The Company transports small quantities of hazardous substances, such as photographic fixer, lead foils and amalgam, from certain of its customers to a metals recycling operation.

TRANSFER STATIONS. The use of transfer stations is another important component of the Company's logistics. The Company utilizes transfer stations in a "hub and spoke" configuration which allows the Company to expand its geographic service area and increase the volume of regulated medical waste that can be treated at a particular facility. Smaller loads of waste containers are stored at the transfer stations until they can be consolidated into full truckloads and transported to a treatment facility.

INSPECTION, TREATMENT AND DISPOSAL. Upon arrival at a treatment facility, each container of regulated medical waste is scanned to verify that it does not contain any unacceptable materials such as hazardous substances or radioactive material. Any container which is discovered to contain hazardous substances or radioactive material is returned to the customer. In some cases the Company's operating permits require that unacceptable waste be reported to the appropriate regulatory authorities. After inspection, the regulated medical waste is loaded into the processing system and ground, compacted and treated using the Company's ETD treatment process. Upon completion of this process, the treated medical waste is transported for resource recovery, recycling or disposal in a nonhazardous waste landfill. After the STERI-TUBS have been emptied, they are washed, sanitized and returned to customers for re-use.

DOCUMENTATION. The Company provides complete documentation to its customers for all regulated medical waste that it collects, including the name of the generator, date of pick-up and date of delivery to a treatment

facility. The Company's documentation system meets all applicable federal, state and local regulations regarding the packaging and labeling of regulated medical waste, including, but not limited to, all relevant regulations issued by the U.S. Department of Transportation, OSHA and state and local authorities.

FACILITIES

The Company's corporate offices occupy 7,300 square feet under a lease expiring in April 1999. The Company owns or leases the following facilities:

PRINCIPAL FUNCTION	LOCATION	OWNED OR LEASED	SIZE
Treatment facility	Loma Linda, CA	Leased; lease expires in December 2001	11,500 square feet
Treatment facility	Morton, WA	Owned	15,000 square feet
Treatment facility	Woonsocket, RI	Leased; lease expires in June 2017; option to purchase for $2,000	24,000 square feet
Treatment facility	Yorkville, WI	Owned	18,000 square feet
Recycling and research development facility	West Memphis, AR	Owned	10,000 square feet
Transfer station	San Leandro, CA	Leased; lease expires in December 2002	22,500 square feet
Transfer station	Valencia, CA	Leased; month-to-month	5,900 square feet

The Company also utilizes three transfer stations, in New York, New York, Haverhill, Massachusetts and Vancouver, British Columbia, at facilities owned by third parties licensed to operate transfer stations. In addition, all of the Company's treatment facilities are authorized to transfer regulated medical waste. The Company also leases sales and customer service centers in Kirkland, Washington, Salem, New Hampshire and Middletown, Connecticut, and a depot in Valparaiso, Indiana.

The Company's lease of its treatment facility at Woonsocket, Rhode Island expires in June 2017 upon the maturity of the last to mature of the industrial development revenue bonds which were issued to finance the acquisition and equipping of the facility. The Company's leasehold interest in the facility and the Company's machinery and equipment at the facility are pledged as collateral to secure the Company's obligations in connection with these bonds. The Company has an option to purchase the facility for $2,000 upon the repayment of all of the bonds. The Company's machinery and equipment at its Yorkville, Wisconsin treatment facility are leased under an equipment lease expiring in February 1999 and are pledged as collateral to secure the Company's obligations under the lease. Substantially all of the Company's property and equipment provide collateral for the Company's obligations under its revolving credit facility with Silicon Valley Bank. The Company believes that its existing facilities are generally adequate for its current needs.

COMPETITION

The regulated medical waste services industry is highly competitive, fragmented, and requires substantial labor and capital resources. Intense competition exists within the industry not only for customers but also for businesses to acquire. The Company's largest competitor is BFI. Other significant competitors include WMX Technologies, Inc., Laidlaw Waste Systems, Inc. and USA Waste Services, Inc. A large number of regional and local companies also compete in the industry. The Company faces competition from these national waste management companies and from many regional and local businesses in its present locations and will be confronted with such competition in the future in each location where it intends to expand. In addition, the Company faces competition from businesses and other organizations that are attempting to commercialize alternate treatment technologies or products designed to reduce or eliminate the generation of regulated medical waste, such as reusable or degradable medical products.

The Company competes for service agreements primarily on the basis of cost effectiveness, quality of service, geographic location and generator-perceived liability risks. The Company's 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 may reduce its prices to the potential customer. See "Risk Factors -- Intense Competition Within Industry."

GOVERNMENTAL REGULATION

The Company operates within the regulated 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 the Company, including requirements to obtain and maintain government permits. These permits grant the Company the authority, among other things, to construct and operate treatment and transfer facilities, to transport regulated medical waste within and between relevant jurisdictions, and to handle particular regulated substances. The Company's permits must be periodically renewed and are subject to modification or revocation by the issuing regulatory authority. In addition to the requirement that it obtain and maintain permits, the Company is subject to extensive federal, state and local laws and regulations that, among other things, govern the definition, generation, segregation, handling, packaging, transportation, treatment, storage and disposal of regulated medical waste. The Company is also subject to extensive regulation designed to minimize employee exposure to regulated medical waste. In addition, the Company is subject to certain foreign laws, rules and regulations. See "Risk Factors -- Impact of Government Regulation."

FEDERAL REGULATION

There are at least four federal agencies that have authority over medical waste. These agencies are the EPA, OSHA, Department of Transportation ("DOT") and Postal Service. These agencies regulate medical waste under a variety of statutory and regulatory authorities.

MEDICAL WASTE TRACKING ACT OF 1988. In the late 1980s, the EPA outlined a two-year demonstration program pursuant to the Medical Waste Tracking Act of 1988 ("MWTA"), which was added as Subtitle J to the Resource Conservation and Recovery Act of 1976 ("RCRA"). 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 were amplified by 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 regulated medical wastes which were generated in a covered state and which posed environmental (including aesthetic) problems were delivered to disposal or treatment facilities with a minimum of 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 its regulations implementing the MWTA, the EPA defined regulated medical waste and established guidelines for its segregation, handling, containment, labeling and transport. Under the MWTA, the EPA was to deliver three reports to Congress on different aspects of regulated medical waste management and the success of the demonstration program for tracking regulated medical waste. Two of these reports were completed; the third report has not yet been issued. The third report is expected to cover the use of alternative medical waste treatment technologies, including the Company's ETD technology. There can be no assurance that if and when the third report is issued, it will not contain findings or make recommendations that are adverse to the Company's medical waste treatment technology. Any such adverse findings or recommendations could have a material adverse effect on the Company's business, financial condition and results of operations.

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.

RESOURCE CONSERVATION AND RECOVERY ACT OF 1976. In 1976, Congress passed 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, including a manifest program for the transportation of hazardous wastes and a permit system for solid and hazardous waste disposal facilities. Regulated medical wastes are currently considered non-hazardous solid wastes under RCRA. However,

certain substances collected by the Company from some of its customers, including photographic fixer developer solutions, lead foils and amalgam, are considered hazardous wastes, for which the Company provides transportation services for metals recycling.

DEPARTMENT OF TRANSPORTATION REGULATIONS. The DOT has implemented regulations under the Hazardous Materials Transportation Authorization Act of 1994 governing the transportation of hazardous materials, regulated medical waste and infectious substances. Under these regulations, the Company is required to package regulated medical waste in compliance with the bloodborne pathogens standards issued by OSHA. Under these standards, the Company must identify its packaging with a "biohazard" marking on the outer packaging, and its regulated medical waste container must be rigid, puncture-resistant, leak-resistant, properly sealed and impervious to moisture.

The transportation of infectious substances is subject to additional packaging standards. However, the Company is presently party to an exemption to these standards which authorizes the transportation of certain cultures and stocks of infectious substances if they are described and properly packaged. The exemption issued by DOT is scheduled to expire on December 31, 1997. The Company believes that it would be able to fully comply with the stricter packaging standards applicable to the infectious substances it transports if and when the exemption expires. DOT regulations also require that a transporter of hazardous substances be capable of responding on a 24 hour-per-day basis in the event of an accident, spill or release to the environment of a hazardous material. The Company has entered into an agreement with CHEMTREC, an organization that provides 24-hour emergency spill coverage in the United States and Canada, to provide spill cleanup services in all of the Company's service areas.

The Company's drivers are specifically trained on topics such as safety, hazardous materials, specifically-regulated medical waste, hazardous chemicals and infectious substances. Employees are trained to deal with emergency situations including spills, accidents and releases in to the environment, and the Company has a written contingency plan for these events. The Company's vehicles are outfitted with spill control equipment and the drivers are trained in their use.

COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980. The Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), established a regulatory and remedial program to provide for the investigation and clean-up of facilities from which there has been an actual or threatened release of hazardous substances into the environment. CERCLA and similar state laws, 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 such facilities. Responsible parties may be liable for substantial waste site investigation and clean-up costs and natural resource damages, regardless of whether they exercised due care and complied with applicable laws and regulations. If the Company were found to be a responsible party for a particular site, it could be required to pay the entire cost of waste site investigation and clean-up, even though other parties also may be liable. The Company's ability to obtain contribution from other responsible parties may be limited by the Company's inability to identify those parties and by their financial inability to contribute to investigation and clean-up costs.

The Company utilizes landfills for disposal of treated regulated medical waste from three of its facilities. Following treatment by the Company, the waste is considered non-hazardous solid waste. Non-hazardous solid waste is not regulated as hazardous unless it has been contaminated with a hazardous substance. The Company employs quality control measures to check incoming regulated medical waste for hazardous substances. Customer contracts also require the exclusion of hazardous substances or radioactive materials from the regulated medical waste. Separate customer contracts govern the Company's transportation for recycling of limited quantities of its customers' hazardous substances.

OCCUPATIONAL SAFETY AND HEALTH ACT OF 1970. The Occupational Safety and Health Act of 1970, as amended, authorizes OSHA to promulgate occupational safety and health standards. Various standards apply to certain aspects of the Company's operations. These standards include rules governing 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, among others. OSHA regulations are designed to minimize the exposure of employees to hazardous work environments. The Company is subject to unannounced safety inspections at any time. Employees are

required by Company policy to receive new employee training, annual refresher training and training in their specific tasks. As part of the Company's medical surveillance program, employees receive pre-employment physicals, including drug testing, annually-required medical surveillance and exit physicals. The Company also subscribes to a drug-free workplace policy.

UNITED STATES POSTAL SERVICE. The Company was required to obtain a permit from the U. S. Postal Service to conduct its "mail-back" program, pursuant to which customers mail appropriately packaged sharps containers which contain regulated medical waste directly to the Company's treatment facilities.

STATE AND LOCAL REGULATION

The Company currently conducts some type of business activity in 17 states. These activities include the collection, transportation, processing, transferring or recycling of regulated medical waste and, in somes cases, hazardous substances. Each state has its own regulations related to the handling, treatment and storage of regulated medical waste. Although there are many differences among the various state laws and regulation, many states have followed the regulated medical waste model under the MWTA and are implementing programs under RCRA. Regulations cover the Company's transportation of regulated medical waste both intrastate and interstate. In each of the states where the Company operates a treatment facility or transfer station, it is required to comply with numerous state and local laws and regulations as well as its site-specific operating plan. Agencies writing regulations at the state level typically include departments of health and state environmental protection agencies. In addition, many municipalities have ordinances, local laws and regulations affecting the Company's operations, including but not limited to zoning and health measures.

In recent years, a number of communities have instituted "flow control" requirements, which typically require that waste collected within a particular area be deposited at a designated facility. In May 1994, the U.S. Supreme Court ruled that a flow control ordinance was inconsistent with the Commerce Clause of the Constitution of the United States. A number of lower federal courts have struck down similar measures. Although the U. S. Senate passed a bill proposing the Interstate Transportation of Municipal Solid Waste Act of 1995, which would have partially granted flow control authority to states under the Commerce Clause, the U. S. House of Representatives rejected the bill in January 1996. The Company believes that the U.S. Congress will continue to consider other bills that could at least partially overturn these court decisions and immunize particular governmental actions from Commerce Clause scrutiny.

Similarly, the U. S. Supreme Court has consistently held that state and local measures that seek to restrict the importation of extraterritorial waste or tax imported waste at a higher rate are unconstitutional. To date, congressional efforts to enable states, under certain circumstances, to impose differential taxes on out-of-state waste or restrict waste importation have been unsuccessful. At present, a bill that would partially grant flow control authority to states and authorize certain restrictions on interstate waste disposal is being considered by a committee of the U.S. House of Representatives.

In the absence of federal legislation, certain local laws that direct waste flows to designated facilities may be unenforceable, and discriminatory taxes and waste importation restrictions should continue to be subject to judicial invalidation. If the U. S. Congress adopts legislation allowing for certain types of flow control or restricting the importation of waste, or if legislation affecting interstate transportation of waste is adopted at the federal or state level, such legislation could adversely affect the Company's medical waste collection, transport, treatment and disposal operations and hence would have a material adverse effect on the Company's business, financial condition and results of operations.

In 1993, the Company challenged an ordinance enacted by the City of Delavan, Wisconsin, which sought to prohibit transporting regulated medical waste into Delavan. The Company succeeded at trial in having the Delavan ordinance declared unconstitutional. Despite this favorable outcome, however, the Company abandoned its plans to construct and operate a regulated medical waste treatment facility in Delavan. The Company incurred significant expense in its abandoned efforts, and there can be no assurance that other municipalities will not attempt to block or discourage the Company from locating a treatment or transfer facility within their limits by passing similar ordinances, even though the Company may ultimately prevail in challenging the constitutionality of such ordinances.

States predominantly regulate medical waste as a solid or "special" waste and not as a hazardous waste under RCRA. State definitions of medical waste include, but are not limited to, microbiological waste (cultures and stocks of infectious agents); pathology waste (human body parts from surgical and autopsy waste); blood and blood products; and sharps.

Most states require segregation of different types of regulated medical waste at the point of generation. A majority of states require that the universal biohazard symbol or related label appear on medical waste containers. Storage regulations may apply to the generator, the treatment facility, the transport vehicle, or all three. Storage rules center on identifying and securing the storage area for public safety as well as setting standards for the manner and length of storage. Many states mandate employee training for safe environmental clean-up through emergency spill and decontamination plans. Many states mandate that transporters carry spill equipment in their vehicles. Those states whose regulatory framework relies on the MWTA model have tracking document systems in place.

In the State of Washington, the Company is subject to regulation by the Utilities and Transportation Commission, which regulates all businesses engaged in transportation in the state. As a regulated business, the Company must receive approval from the Utilities and Transportation Commission for the prices it charges for its services in Washington. See "Risk Factors -- Impact of Government Regulation."

The Company maintains numerous permits and licenses to conduct its business from various state and local authorities. The Company's permits vary from state to state based upon the Company's activities within that state and on the applicable state and local laws and regulations. These permits include transport permits for solid waste, regulated 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, specific approval for the use of ETD to treat regulated medical waste, a bulk pool irradiator operator's license for the Company's currently inactive irradiator at its West Memphis, Arkansas facility and various business operator's licenses. The Company believes that it is in substantial compliance with all applicable state and local laws and regulations.

The Company's treatment technology is an alternative to the conventional treatment technologies of incineration and autoclaving and has not been approved in all states for the treatment of regulated medical waste. The Company has been permitted to operate its treatment technology in 13 states with additional applications pending. There can be no assurance, however, that the Company's treatment technology will be approved for the treatment of regulated medical waste in each state or other jurisdiction where the Company may seek regulatory approval in the future to construct and operate a treatment facility. The Company's inability to obtain any such regulatory approval could have a material adverse effect on the Company's business, financial condition and results of operations.

FOREIGN REGULATION

The Company presently conducts business in only one foreign jurisdiction, British Columbia, Canada, where it collects regulated medical waste in the Vancouver area and transports it to the Company's Morton, Washington treatment facility. The Company's activities in British Columbia are governed at the federal level by the Canadian Transportation of Dangerous Goods Act, 1992, and at the provincial level by the British Columbia Waste Management Act. The federal Transportation of Dangerous Goods Act, 1992, regulates the movement of dangerous goods, including infectious substances and other "specified dangerous goods," by all modes of transportation, and imposes joint and several liability on all persons who are responsible for, or who caused or contributed to, the release of any "specified dangerous good" into the environment. Any business engaged in a regulated activity is presumed to be liable for any such release, unless the business can demonstrate that it acted reasonably. The provincial Waste Management Act regulates the storage, transportation and disposal of waste, including biomedical waste, and imposes strict, joint and several liability for all clean-up costs associated with the release of hazardous substances into the environment. The Company has obtained all permits required by these two acts. There can be no assurance, however, that the Company will not be required in the future to pay for waste clean-up costs incurred under either act on a joint and several basis.

If the Company expands its operations into other foreign jurisdictions, it will be required to comply with the laws and regulations of each such jurisdiction.

PERMITTING PROCESS

Each state in which the Company operates, and each state in which the Company may operate in the future, has a specific permitting process. After the Company has identified a geographic area in which it wishes to locate a treatment or transfer facility, the Company will identify one or more locations for a potential new site. Typically, the Company 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 a sufficient threshold of public interest is shown, a public hearing may be held. If the Company is 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 provide an opportunity for public opposition or other action that may impede the Company's ability to construct or operate the planned facility.

The Company has been successful in obtaining permits for its current regulated medical waste transfer, treatment and processing facilities and for its transportation operations. Several of the Company's past attempts to construct and operate regulated medical waste treatment facilities, however, have met with significant community opposition. In some of these cases, the Company has withdrawn from the permitting process. Permitting for transportation operations frequently involves registration of vehicles, inspection of equipment and background investigations on the Company's officers and directors.

REGULATORY AND LEGAL PROCEEDINGS

In August 1995, the Company entered into a voluntary settlement with the Rhode Island Department of Environmental Management ("RIDEM") pursuant to which, without admitting liability, the Company agreed to pay $400,000 over a seven-year period and to perform community services and conduct seminars over a five-year period.The settlement arose from certain notices of violation that RIDEM issued in September 1994 and April 1995 pursuant to which RIDEM sought penalties of $3,356,000, claiming that the Company had violated state medical waste and solid waste regulations by, among other things, mishandling and improperly treating medical waste and endangering its employees' health by failing to provide proper training and protective clothing. RIDEM has recently contacted the Company's local counsel and informally suggested that it may issue additional notices of violation. The Company believes that there is no basis for the issuance of any such additional notices and that the resolution of the matter will be favorable to the Company. There can be no assurance, however, that if the resolution is unfavorable to the Company, the Company's obligations as a result of any such additional notices of violation would not have a material adverse effect on the Company's business, financial condition or results of operations.

The Company believes that the Massachusetts Attorney General inquired into the Company's activities in Massachusetts but does not know whether the inquiry, if any, is still pending. The Company believes, however, that if there is or was any such inquiry, it was begun following the adverse publicity that the Company received in connection with the notices of violation from RIDEM. See "Risk Factors -- Impact of Governmental Regulation."

In September 1995, the Connecticut Department of Revenue Services notified the Company that it was being assessed for sales and use tax of $219,000 as the successor in interest to Safe Way. The Company appealed the assessment on the ground that, as a purchaser of assets, it was not legally obligated to pay Safe Way's debts. The Company has been informed that its appeal has been denied by the Department of Revenue Services. Safe Way has indemnified the Company for any liability as a result of Safe Way's obligations arising prior to the closing of the Safe Way acquisition in September 1994. Safe Way's indemnification obligation is secured first by 129,985 shares of Common Stock issued to Safe Way which are currently held in escrow and then by off-set rights of the Company under the Safe Way Note.

In April 1996, Local 174, International Brotherhood of Teamsters, AFL-CIO, filed an unfair labor practice charge against the Company with the National Labor Relations Board. The charge arose from an attempt by the union to organize the the Company's truck drivers in Washington and Oregon, and claims that the Company's elimination of certain drivers' positions shortly before a union recognition election, which the union lost, unlawfully discriminated against employees engaged in protected activity. The Company is defending its actions as unrelated to any union activity. The Company's production and maintenance employees at its Morton, Washington facility voted to affiliate with the union. The Company is challenging the results of that vote.

The Company operates in a highly competitive industry and may be exposed to regulatory inquiries or investigations from time to time. Investigations can be initiated for a variety of reasons. The Company has been involved in several legal and administrative proceedings that have been settled or otherwise resolved on terms acceptable to the Company, without having a material adverse effect on the Company's business, financial condition or results of operations. From time to time the Company may consider it more cost-effective to settle such proceedings than to involve itself in costly and time-consuming administrative actions or litigation. The Company is also a party to various legal proceedings arising in the ordinary course of its business. The Company believes that the resolution of these other matters will not have a material adverse effect on the Company's business, financial condition or results of operations.

POTENTIAL LIABILITY AND INSURANCE

The regulated medical waste management industry involves potentially significant risks of statutory, contractual, tort and common law liability. Potential liability could involve, for example, claims for clean-up costs, personal injury or damage to the environment, claims of employees, customers or third parties for personal injury or property damages occurring in the course of the Company's operations, or claims alleging negligence or professional errors or omissions in the planning or performance of work. The Company could also be subject to fines in connection with violations of regulatory requirements.

The Company carries liability insurance coverage which it considers sufficient to meet regulatory and customer requirements and to protect the Company's employees, assets and operations. The availability of liability insurance within the regulated medical waste industry has been adversely affected by the constrained market for environmental liability and other insurance. More aggressive enforcement of environmental and management regulations, as well as legal decisions and judgments adverse to companies exposed to pollution damage claims, could lead to a substantial reduction in the availability and extent of insurance coverage. In the future, available insurance may be at significantly increased premiums with less extensive coverage. If the Company is unable to obtain adequate insurance coverage at a reasonable cost, it may become exposed to potential liability claims. In such event, a successful claim of sufficient magnitude could have a material adverse effect on the Company's business, financial condition or results of operation.

CERCLA and similar state statutes impose strict, joint and several liability on the present 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 such facilities. Responsible parties may be liable for waste site investigation, waste site clean-up costs and natural resource damages, which costs could be substantial, regardless of whether they exercised due care and complied with all relevant laws and regulations. There can be no assurance that the Company will not face claims under CERCLA or similar state laws resulting in substantial liability for which the Company is uninsured and which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company's pollution liability insurance excludes liabilities under CERCLA. See "Risk Factors -- Potential Liability; Insurance."

PATENTS AND PROPRIETARY RIGHTS

The Company considers the protection of its technology relating to the processing of regulated medical waste to be material to its business. The Company's policy is to protect its technology by a variety of means, including applying for patents in the United States and in appropriate foreign countries. See "Risk Factors -- Dependence on Patents and Proprietary Information."

The Company holds four United States patents and has three additional patent applications pending in the United States relating to the ETD treatment process and other aspects of processing regulated medical waste. The Company has filed counterpart patent applications in several foreign countries and has received patents in Mexico and Australia. The Company also holds one United States patent for its STERI-TUB container.

In November 1995, the Company entered into a license agreement with IIT Research Institute ("IITRI"). Under this agreement, IITRI granted to the Company a royalty-free exclusive license in North America, Europe, Japan and other industrialized countries throughout the world to use and commercialize certain patent rights and know-how held by IITRI relating to the use of radio-frequency technology in the treatment of regulated medical waste, and the Company granted to IITRI a royalty-free exclusive license in the remaining countries of the world to

use and commercialize certain corresponding patent rights and know-how held by the Company. The agreement continues until the expiration of the last-to-expire of any of the subject patents held by either IITRI or the Company.

An issued patent grants to the owner the right to exclude others from practicing the inventions claimed in the patent. In the United States, a patent filed before June 8, 1995 is enforceable for 17 years from the date of issuance or 20 years from the effective date of filing, whichever is longer. Patents issued on applications filed on or after June 8, 1995 expire 20 years from the effective date of filing. The last-to-expire of the Company's existing United States patents relating to its ETD treatment process will expire in April 2013.

In addition, the Company has additional proprietary technology relating to the processing of regulated medical waste that the Company believes is patentable. The Company has chosen, however, not to file for patent protection for this technology at this time.

There can be no assurance that any claims which are included in pending or future patent applications will be issued, that any issued patents will provide the Company with competitive advantages or will not be challenged by third parties or that the existing or future patents of third parties will not have an adverse effect on the ability of the Company to carry out its business. In addition, there can be no assurance that other companies will not independently develop similar processes or engineer around patents that may have been issued to the Company. Litigation or administrative proceedings may be necessary to enforce the patents issued to the Company or to determine the scope and validity of others' proprietary rights. Any litigation or administrative proceeding could result in substantial cost to the Company and distraction of the Company's management. An adverse ruling in any litigation or administrative proceeding could have a material adverse effect on the Company's business, financial condition and results of operations.

The commercial success of the Company will also depend in part upon the Company's not infringing patents issued to competitors. There can be no assurance that patents belonging to competitors will not require the Company to alter its processes, pay licensing fees or cease development of its current or future processes. Litigation or administrative proceedings may be necessary to enforce the patents issued to the Company or to determine the scope and validity of others' proprietary rights. Any litigation or administrative proceeding could result in substantial cost to the Company and distraction of the Company's management. An adverse ruling in any litigation or administrative proceeding could have a material adverse effect on the Company's business, financial condition and results of operations. In addition, there can be no assurance that the Company would be able to license the technology rights that it may require at a reasonable cost or at all. Failure by the Company to obtain a license to any technology that the Company currently uses to process regulated medical waste would have a material adverse effect on the Company's business, financial condition and results of operations. In addition, to determine the priority of inventions or patent applications the Company may have to participate in interference proceedings declared by the U.S. Patent and Trademark Office or in proceedings before foreign agencies, any of which would result in substantial costs to the Company and distraction of the Company's management.

The Company holds federal registrations of the trademarks "Steri-Fuel," "Steri-Plastic," "Steri-Tub" and "Steri-Cement" and the service marks "Stericycle" and a mark consisting of a graphic the Company uses in association with its name and services in the United States. There can be no assurance that the registered or unregistered trademarks of the Company will not infringe upon the rights of third parties. The requirement to change any trademark, service mark or trade name of the Company would result in the loss of any goodwill associated with that trademark, service mark or trade name and could entail significant expense.

The Company also relies on unpatented and unregistered trade secrets, trademarks, proprietary know-how and continuing technological innovation that it seeks to protect, in part, by confidentiality agreements with its employees, vendors and consultants. There can be no assurance that these agreements will not be breached, that the Company would have adequate remedies for any breach or that the Company's trade secrets or know-how will not otherwise become known or independently discovered by third parties.

EMPLOYEES

At December 31, 1995, the Company employed 216 full-time employees and 27 part-time employees engaged primarily in sales and marketing.

The Company considers its employee relations generally to be satisfactory. None of the Company's employees is covered by a collective bargaining agreement. The Company's production and maintenance employees at its Morton, Washington facility have voted to affiliate with a union. See "-- Legal and Regulatory Proceedings."

MANAGEMENT

EXECUTIVE OFFICERS AND DIRECTORS

The directors and executive officers of Stericycle, Inc. and their ages as of June 1, 1996, are as follows:

NAME	AGE	POSITION
Mark C. Miller	40	President, Chief Executive Officer and Director
Anthony J. Tomasello	49	Vice President, Operations
Linda D. Lee	39	Vice President, Regulatory Affairs and Quality Assurance
James F. Polark	46	Vice President, Finance and Chief Financial Officer
Michael J. Bernert	42	Vice President, Eastern Region
Richard O. Shea	43	Vice President, Western Region
Jack W. Schuler (1)	55	Chairman of the Board of Directors
Patrick F. Graham (2)	56	Director
John Patience (2)	48	Director
Lloyd D. Ruth (2)	49	Director
Peter Vardy (1)	66	Director
L. John Wilkerson, Ph.D (1)	52	Director

(1) Member of Compensation Committee

(2) Member of Audit Committee

MARK C. MILLER has served as President and Chief Executive Officer and a director of the Company since May 1992. From May 1989 until he joined the Company, 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. Mr. Miller received a B.S. degree in computer science from Purdue University, where he graduated Phi Beta Kappa.

ANTHONY J. TOMASELLO has served as the Company's Vice President, Operations since August 1990. For five years prior to joining Stericycle, Mr. Tomasello was President and Chief Operating Officer of Pi Enterprises and Orbital Systems, companies providing process and automation services. From 1980 to 1985, 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.

LINDA D. LEE has served as the Company's Vice President, Regulatory Affairs and Quality Assurance since July 1990. She previously served as the Company's Executive Director for Regulatory Compliance. Prior to joining the Company in November 1989, she served for six years as Director of Environmental Health and Safety for Medical Services at the University of Arkansas. Ms. Lee has served as the chairperson of the American Hospital Association's Environmental Advocacy Committee and on the American Society for Hospital Engineers' Safety Committee. She has also served on a number of government committees, including the Arkansas Governor's Task Force on Medical Waste, and has written several books and articles on safety and waste disposal. Ms. Lee received a B.S. degree in environmental health sciences from Indiana State University and an M.S. degree in operations management from the University of Arkansas.

JAMES F. POLARK has served as the Company's Vice President, Finance and Chief Financial Officer since July 1993. From 1980 until joining the Company, he served in various capacities with Sara Lee Corporation, most

recently as Chief Financial Officer of Superior Coffee and Foods, Inc., one of Sara Lee' divisions. Prior to joining Sara Lee, Mr. Polark was a member of the audit staff at Price Waterhouse. He received a B.S. degree in accounting from the University of Northern Iowa.

MICHAEL J. BERNERT has served as the Company's Vice President, Eastern Region, with responsibility for sales and service in New England and the Midwest, since February 1992. Prior to joining the Company in 1992, he held a series of management positions with Abbott Laboratories. Mr. Bernert received a B.A. degree in economics from Brown University and an M.B.A. degree from the University of Dallas.

RICHARD O. SHEA has served as the Company's Vice President, Western Region, with responsibility for sales and service in the Pacific Northwest and California, since April 1991. From September 1989 to March 1991, he was Vice President of Sales and Marketing for Microprobe Corporation in Bethell, Washington. He previously held several management positions with the Diagnostics Division of Abbott Laboratories. Mr. Shea received a B.S. degree in marketing from Nichols College.

JACK W. SCHULER has served as Chairman of the Board of Directors of the Company since January 1990. From January 1987 to August 1989, Mr. Schuler served as President and Chief Operating Officer of Abbott Laboratories, a diversified health care company which he joined in 1972 and where he held a number of management and marketing positions and served as a director from April 1985 to August 1989. Mr. Schuler serves as a director of Chiron Corporation, Medtronic, Inc. and Somatogen, Inc., and several privately held companies. He is a co-founder of Crabtree Partners, a private investment partnership in Deerfield, Illinois, which was formed in June 1995. He received a B.S. degree in mechanical engineering from Tufts University and an M.B.A. degree from the Stanford University Graduate School of Business Administration.

PATRICK F. GRAHAM has served as a director of the Company since May 1991. He is a co-founder of Bain & Company, Inc., a management consulting firm in Boston, Massachusetts, where he has served in a number of positions since 1973, including Vice Chairman and Chief Financial Officer. He was previously a Group Vice President with Boston Consulting Group. Mr. Graham is a director of WorldCorp, Inc. and several privately held companies. He received a B.A. degree from Knox College.

JOHN PATIENCE has served as a director of the Company since its incorporation in March 1989. He is a co-founder and partner of Crabtree Partners, a private investment partnership in Deerfield, Illinois, which was formed in June 1995. From January 1988 to March 1995, Mr. Patience was a general partner of the general partner of Marquette Venture Partners, L.P., a venture capital fund which he co-founded and which participated in the initial capitalization of the Company. He was previously a director with McKinsey & Company, Inc., a general management consulting firm. Mr. Patience is a director of TRO Learning, Inc., and several privately held companies. He received B.A. and B.L. degrees from the University of Sydney, Sydney, Australia, and an M.B.A. degree from the Wharton School of Business of the University of Pennsylvania.

LLOYD D. RUTH has served as a director of the Company since September 1995. He previously served as a director of the Company from December 1989 to October 1990. Mr. Ruth is a co-founder of Marquette Venture Partners, L.P., a venture capital fund in Deerfield, Illinois, where he has served as a general partner of its general partner since January 1988. From 1981 until 1988 he served with the Sprout Group, a venture capital fund affiliate of Donaldson, Lufkin & Jenrette Securities Corporation. Mr. Ruth received a B.S. degree in industrial engineering from Cornell University, an M.S. degree in computer science from the Naval Postgraduate School in Monterey, California and an M.B.A. degree from Stanford University.

PETER VARDY has served as a director of the Company since July 1990. He is the Managing Director of Peter Vardy & Associates, an international environmental consulting firm in Chicago, Illinois, which he founded in June 1990. From April 1973 to May 1990, Mr. Vardy served at Waste Management, Inc. (now WMX Technologies, Inc.), a waste management services company, where he was Vice President, Environmental Management. He is a director of EMCON, which he co-founded in 1971. Mr. Vardy received a B.S. degree in geological engineering from the University of Nevada.

L. JOHN WILKERSON, PH.D., has served as a director of the Company since July 1992. He is a consultant to The Wilkerson Group, a health care products consulting firm in New York, New York, where he has served since 1982. Dr. Wilkerson also serves as a general partner of the general partner of Galen Partners, L.P. and Galen Partners

International, L.P., affiliated venture capital funds. He is a director of British Biotech Plc, Gensia, Inc., TheraTx, Incorporated and several privately held companies. Dr. Wilkerson received a B.S. degree in biological sciences from Utah State University and a Ph.D. degree in managerial economics and marketing research from Cornell University.

BOARD OF DIRECTORS

Directors are elected at the annual meeting of stockholders and hold office until the next annual meeting or until their successors have been elected and qualified. Members of the Board of Directors receive no cash compensation for their services as directors. During the year ended December 31, 1995, the Company granted options to Jack W. Schuler, Patrick F. Graham and Peter Vardy, all of whom are members of the Board of Directors, to purchase 52,857, 32,723 and 7,120 shares of Common Stock, respectively. These options were granted pursuant to an equity restructuring program which was intended, among other purposes, to reverse the dilutive effect of a recapitalization pursuant to which the Company's outstanding shares of preferred stock were reclassified as common stock. See "-- 1995 Equity Adjustment Program" and "Description of Capital Stock - -- 1995 Recapitalization."

Pursuant to the Company's Directors Stock Option Plan, which was adopted by the Board of Directors and approved by the Company's stockholders in June 1996, directors who are not employees of the Company will be eligible to receive periodic option grants. See "-- Stock Option Plans."

The Compensation Committee of the Board of Directors, consisting of Messrs. Schuler and Vardy and Dr. Wilkerson, makes recommendations to the full Board of Directors concerning salaries and incentive compensation for employees of the Company and administers the Company's Incentive Compensation Plan. The Audit Committee of the Board of Directors, consisting of Messrs. Graham, Patience and Ruth makes recommendations to the full Board of Directors regarding the selection of independent auditors, reviews the results and scope of the audit and other services provided by the Company's independent auditors and reviews and evaluates the Company's internal control functions.

EXECUTIVE COMPENSATION

The following table sets forth the compensation paid by the Company during the year ended December 31, 1995 to the Company's President and Chief Executive Officer and its four other most highly compensated executive officers (collectively, the "Named Executive Officers"):

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION SALARY	LONG-TERM COMPENSATION AWARDS NUMBER OF SECURITIES UNDERLYING OPTIONS
Mark C. Miller..... President and Chief Executive Officer	1995	$ 212,083	485,620
Anthony J. Tomasello..... Vice President, Operations	1995	146,875	31,816
Linda D. Lee..... Vice President, Regulatory Affairs and Quality Assurance	1995	127,916	28,621
Michael J. Bernert..... Vice President, Eastern Region	1995	108,750	49,515
Richard O. Shea..... Vice President, Western Region	1995	113,541	46,353

STOCK OPTION INFORMATION

The following table sets forth certain information regarding stock options that the Company granted to the Named Executive Officers during the year ended December 31, 1995. In accordance with the rules of the Securities and Exchange Commission, the following table also sets forth the potential realizable value over the term of the options (the period from the date of grant to the date of expiration) based upon assumed rates of stock appreciation

of 5% and 10%, compounded annually. These amounts do not represent the Company's estimate of future appreciation of the price of its Common Stock. The Company did not grant stock appreciation rights to any Named Executive Officer during the year ended December 31, 1995.

OPTIONS GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
	NUMBER OF SECURITIES UNDERLYING OPTIONS(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR(2)	EXERCISE PRICE PER SHARE(3)	EXPIRATION DATE	5%	10%
Mark C. Miller	485,620	52.60%	$ 0.53	11/1/05	$ 161,864	$ 410,195
Anthony J. Tomasello	31,816	3.4%	0.53	11/1/05	10,605	26,874
Linda D. Lee	28,621	3.1%	0.53	11/1/05	9,540	24,176
Michael J. Bernert	49,515	5.4%	0.53	11/1/05	16,504	41,825
Richard O. Shea	46,353	5.0%	0.53	11/1/05	15,450	39,154

- ---

(1) All of the options granted to the Named Executive Officers were granted under the Company's Incentive Compensation Plan (the "1995 Stock Plan") pursuant to an equity adjustment program which was substantially implemented in November 1995. See "-- Stock Option Plans" and "-- 1995 Equity Adjustment Program." The options granted were for shares of the Company's Class B common stock. The number of options granted shown in the table has been adjusted to reflect the 1-for-5.3089 reverse stock split to be effective prior to this Offering. All of the Company's outstanding options to purchase shares of Class B common stock will be converted automatically into options to purchase a like number of shares of Common Stock upon completion of this Offering. See "Description of Capital Stock -- Reverse Stock Split." The options granted to the Named Executive Officers vest in equal monthly increments over periods of 12, 24 or 36 months.

(2) Based on an aggregate of 923,292 options granted to employees during the year ended December 31, 1995, all of which were granted under the 1995 Stock Plan.

(3) The exercise price per share of each option is equal to the fair market value of the Company's Class B common stock on the date of grant as determined by the Company's Board of Directors.

(4) The potential realizable value was calculated based on the 10-year term of each option on its date of grant, assuming that the fair market value of the underlying stock on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price. The potential realizable value of each option was calculated using the exercise price of the option as the fair market value of the underlying stock on the date of grant. The actual realizable value of the options could be considerably higher than the potential realizable values shown in the table.

OPTION EXERCISES AND FISCAL YEAR END OPTION VALUES

The following table sets forth certain information with respect to the value of the stock options held by the Named Executive Officers at December 31, 1995. No Named Executive Officer exercised any stock options or stock appreciation rights during the year ended December 31, 1995 or had any stock appreciation rights outstanding at the end of the year.

FISCAL YEAR END OPTION VALUES

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END(1)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END(2)	
	VESTED	UNVESTED	VESTED	UNVESTED
Mark C. Miller	333,275	152,345	--	--
Anthony J. Tomasello	16,383	15,433	--	--
Linda D. Lee	12,814	15,808	--	--
Michael J. Bernert	23,567	25,948	--	--
Richard O. Shea	30,627	15,725	--	--

- ----------

(1) All unexercised options at December 31, 1995 were options to purchase shares of the Company's Class B common stock. The number of unexercised options shown in the table has been adjusted to reflect a 1-for-5.3089 reverse stock split to be effective prior to this Offering. See "Description of Capital Stock -- Reverse Stock Split."

(2) The value of unexercised options was calculated based on the fair market value of the underlying shares of the Company's Class B common stock at December 31, 1995 ($0.53 per share), as determined by the Company's Board of Directors, less the exercise price payable for such shares ($0.53 per share), adjusting both amounts to reflect the 1-for-5.3089 reverse stock split to be effective prior to this Offering. All of the Company's outstanding options to purchase shares of Class B common stock will be converted automatically into options to purchase a like number of shares of Common Stock upon completion of this Offering. See "Description of Capital Stock -- Reverse Stock Split."

STOCK OPTION PLANS

1995 STOCK PLAN. The Company's Incentive Compensation Plan (the "1995 Stock Plan") was adopted by the Board of Directors in August 1995 and approved by the Company's stockholders in September 1995 in connection with a recapitalization of the Company. See "Description of Capital Stock -- 1995 Recapitalization." As amended by the Board of Directors in May and June 1996 and approved by the Company's stockholders in June 1996, the 1995 Stock Plan authorizes a total of 1,506,904 shares of Common Stock to be issued pursuant to options granted and restricted stock awarded under the plan. If an option granted under the 1995 Stock Plan expires unexercised or is surrendered, or if the Company repurchases shares of restricted stock awarded under the plan, the shares of Common Stock subject to the option or repurchased by the Company once again become available for option grants and restricted stock awards under the 1995 Stock Plan. As of June 1, 1996, options to purchase an aggregate of 704,167 shares were outstanding and 31,174 shares were available for future option grants or restricted stock awards. The 1995 Stock Plan has a 10-year term, and no option may be granted or shares of restricted stock awarded under the plan after its expiration in July 2005.

The 1995 Stock Plan provides for the grant of incentive stock options intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986, as amended, nonstatutory stock options and restricted stock awards. Incentive stock options may be granted and shares of restricted stock may be awarded only to employees of the Company. Nonstatutory stock options may be granted only to employees of and consultants to the Company. The 1995 Stock Plan is administered by the Compensation Committee of the Board of Directors, which selects the eligible persons to whom options are granted or restricted stock is awarded and, subject to the provisions of the plan, determines the terms of each option or award, including, in the case of an option, the number of shares, type of option, exercise price and vesting schedule, and, in the case of an award of restricted stock, the purchase price, if any, and the restrictions applicable to the award.

The exercise price of options granted under the 1995 Stock Plan must be at least equal to the fair market value of the Common Stock on the date of grant, with the exception that the exercise price of an incentive stock option granted to an employee of the Company holding more than 10% of the outstanding stock of the Company must be at least 110% of the fair market value. The maximum term of any option may not exceed 10 years. An option may be exercised only when it is vested and, in the case of options granted to employees, only while the holder of the option remains an employee of the Company or during the 90-day period following the termination of his or her employment. In the Compensation Committee's discretion, this 90-day period may be extended in the case of nonstatutory stock options to any date ending on or before the expiration date of the option. In addition, the Compensation Committee may accelerate the exercisability of an option at any time. With the approval of the Compensation Committee, the holder of an option may pay the exercise price by delivering other shares of Common Stock, or by directing the Company to withhold shares of Common Stock otherwise issuable upon exercise of the option, having a fair market value on the date of exercise equal to the exercise price.

DIRECTORS STOCK OPTION PLAN. The Company's Directors Stock Option Plan (the "Directors Plan") was adopted by the Board of Directors and approved by the Company's stockholders in June 1996. The Directors Plan authorizes a total of 285,000 shares of Common Stock to be issued pursuant to nonstatutory stock options granted under the plan to eligible directors of the Company. Under the Directors Plan, each director who is not an employee of the Company and who is elected or re-elected as a director at the annual meeting of the Company's stockholders, beginning with the annual meeting in 1997, will automatically receive an option exercisable at the average of the closing bid and asked prices of the Common Stock on the date of the annual meeting (the "exercise price"). The option will be for the number of shares of Common Stock determined by multiplying 7,000 shares by a fraction, the numerator of which is $12.00 and the denominator of which is the exercise price, subject to a maximum option grant of 9,500 shares and a minimum option grant of 4,500 shares. The term of each option will be six years from the date of grant. Each option will vest in 12 equal quarterly installments and may be exercised only when it is vested and only while the holder of the option remains a director of the Company or during the 90-day period following the date that he or she ceases to serve as a director. With the approval of the full Board of Directors, the holder of an option may pay the exercise price by delivering other shares of Common Stock, or by directing the Company to withhold shares of Common Stock otherwise issuable upon exercise of the option, having a fair market value on the date of exercise equal to the exercise price. The Directors Plan has a six-year term, and no option may be granted under the plan after its expiration in June 2002.

1995 EQUITY ADJUSTMENT PROGRAM

In November 1995, the Company substantially implemented a program to adjust the equity interests of the Company's officers and employees and certain of its directors to reflect a plan of recapitalization of the Company which was adopted by the Board of Directors in August 1995 and approved by the Company's stockholders in September 1995 and which, among other things, authorized the issuance of Class A and Class B common stock. See "Description of Capital Stock -- 1995 Recapitalization." The purpose of the program was to (i) restore the percentages of potential ownership interests in the Company of participants in the program to substantially the same percentages that existed prior to the recapitalization, (ii) substantially restore the potential value of stock in the Company that participants had previously purchased or for which they had been granted stock options, (iii) provide additional potential ownership interests by option grants for voluntary participation in a new salary reduction program being adopted for the Company's management and (iv) provide the Company's President and Chief Executive Officer, Mark C. Miller, with the opportunity potentially to acquire a 5% ownership interest in the Company. In connection with this equity adjustment program, the Company allowed participants to surrender their existing options to purchase shares of Class A common stock for options to purchase a larger number of shares of Class B common stock. The Company also agreed to reduce the purchase price of Class A common stock being purchased by participants under non-recourse notes to reflect the stock's current fair market value, as determined by the Board of Directors, and to accept shares of Class A common stock in satisfaction of the unpaid balance of the notes and issue shares of Class B common stock in exchange for the shares of Class A common stock for which the purchase price had been paid. The following table sets forth certain information for the year ended December 31, 1995 regarding the Named Executive Officers and the directors of the Company who participated in the equity adjustment program:

NAME	OPTIONS SURRENDERED(1)	SHARES OF STOCK EXCHANGED(1)	NEW OPTIONS RECEIVED(2)	NEW SHARES OF STOCK RECEIVED(2)
Mark C. Miller.....	37,989	38,262	485,620	3,868
Anthony J. Tomasello.....	4,031	12,244	31,816	48,974
Linda D. Lee.....	3,014	8,288	28,621	26,465
Michael J. Bernert.....	7,791	2,825	49,515	283
Richard O. Shea.....	4,073	8,476	46,353	11,584
Jack W. Schuler.....	6,404	80,768	52,857	211,429
Patrick F. Graham.....	1,601	9,306	32,723	--
Peter Vardy.....	5,463	6,404	7,120	28,480

(1) All options surrendered were options to purchase, and all shares of stock exchanged were, shares of the Company's Class A common stock. The number of options surrendered and shares of stock exchanged have been adjusted to reflect a 1-for-5.3089 reverse stock split to be effective prior to this Offering. See "Description of Capital Stock -- Reverse Stock Split."

(2) All options received were options to purchase, and all shares of stock received were, shares of the Company's Class B common stock. The number of options and shares of stock received have been adjusted to reflect a 1-for-5.3089 reverse stock split to be effective prior to this Offering. See "Description of Capital Stock -- Reverse Stock Split." All of the Company's outstanding shares of Class B common stock and outstanding options to purchase shares of Class B common stock will be converted automatically into a like number of shares of Common Stock, or options to purchase a like number of shares of Common Stock, as the case may be, upon completion of this Offering. See "Description of Capital Stock -- Reverse Stock Split."

OTHER PLANS

The Company maintains a 401(k) plan in which employees who have completed one year's employment and attained age 21 are eligible to participate. The plan permits the Company to make matching contributions of a percentage of participants' deferrals to be determined each year by the Board of Directors. For 1993, 1994 and 1995, the Company made matching contributions of 30% of the first $1,000 contributed by participants.

EMPLOYMENT AGREEMENTS

The Company has not entered into written employment agreements with any of its executive officers or employees. All of the Company's executive officers and employees have signed confidentiality agreements with the Company.

LIMITATIONS ON DIRECTORS' LIABILITY AND INDEMNIFICATION

The Company's Certificate of Incorporation provides that to the fullest extent permitted by Delaware law, the Company's directors will not be liable for monetary damages for breach of a director's duty of care to the Company and its stockholders. This provision does not eliminate a director's duty of care, and in appropriate circumstances equitable remedies such as an injunction or other forms of non-monetary relief will remain available under Delaware law. Each director continued to remain liable for a breach of the director's duty of loyalty to the Company, for acts or omissions not in good faith or involving intentional misconduct or a knowing violation of the law, for improper distributions to stockholders and for any transaction from which the director derives an improper personal benefit. This provision also does not affect a director's liability under other laws, such as the federal securities laws.

The Company's By-Laws provide that the Company will indemnify its directors and executive officers and may indemnify its other officers and employees and other agents to the fullest extent permitted by Delaware law. The Company believes that indemnification under its By-Laws covers at least negligence and gross negligence on the part of indemnified parties. The Company's By-Laws also permit it to enter into indemnification agreements with its directors and officers and to purchase insurance on behalf of any person whom it is required or permitted to indemnify. Prior to completion of this Offering, the Company intends to enter into indemnification agreements with each of its executive officers and directors, indemnifying them for certain expenses (including attorneys' fees), judgments, fines and settlement payments in certain circumstances, and to obtain a policy of directors' and officers' liability insurance to insure against certain liabilities.

There is no pending litigation or proceeding involving a director or officer of the Company for which indemnification is required or permitted, and the Company is not aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

CERTAIN TRANSACTIONS

In July 1995, the Company borrowed $830,000 under a 90-day line of credit, at the prime rate plus 3% per annum, from a lending group comprised of Galen Partners, L.P., Galen International, L.P. and Marquette Venture Partners, L.P., stockholders of the Company, and John Patience, Jack W. Schuler and Peter Vardy, directors of the Company. The Company's notes to the members of the lending group were secured by the Company's accounts receivable. In connection with this line of credit, the Company issued warrants to members of the lending group to purchase an aggregate of 220,559 shares of Common Stock. These warrants expire in July 2000 and are exercisable at any time at the price of $1.59 per share (or 70% of the per share purchase price if the Company sells Common Stock in a single transaction prior to July 27, 1996 in which the aggregate purchase price is at least $1,000,000). As of June 1, 1996, warrants for 59,128 shares had been exercised.

In May 1996, the Company borrowed $1,000,000 under a short-term loan from a lending group comprised of Galen Partners, L.P. and Galen International, L.P., stockholders of the Company, Jack W. Schuler, Mark C. Miller, John Patience and Peter Vardy, directors of the Company (and, in Mr. Miller's case, also an executive officer) and Michael J. Bernert, James F. Polark and Anthony J. Tomasello, executive officers of the Company. The Company's notes to the members of the lending group are interest-free if paid when due, subject to certain exceptions, and are due within 30 days after completion of this Offering or upon the occurrence of certain other events. The notes are unsecured and are subordinated to certain bank and other debt. In connection with this loan, the Company issued warrants to members of the lending group to purchase an aggregate of 226,036 shares of Common Stock. These warrants expire in May 2001 and are exercisable at any time at a price of $7.96 per share. The Company will record as an interest expense the excess over the exercise price of the fair market value at the time of exercise of the shares of Common Stock for which any warrant is exercised. Each warrant may be exercised by the holder at any time by directing the Company to withhold in payment, from the shares of Common Stock otherwise issuable upon the exercise of the warrant, a number of shares of Common Stock having a fair market value on the date of exercise equal to the exercise price. In connection with the loan, the Company also amended the warrants issued in connection with the July 1995 line of credit held by members of the lending group to add a similar "cashless exercise" provision to those warrants.

PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of June 1, 1996, and as adjusted to reflect the sale by the Company of the shares of Common Stock offered hereby, by (i) each person known to the Company to beneficially own more than 5% of the Company's Common Stock, (ii) each of the Company's directors, (iii) each of the Named Executive Officers and (iv) all directors and executive officers of the Company as a group:

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES (1)	PERCENTAGE BENEFICIALLY OWNED (1) BEFORE OFFERING	PERCENTAGE BENEFICIALLY OWNED (1) AFTER OFFERING
Marquette Venture Partners, L.P. (2) Corporate 500 Center 520 Lake Cook Road, Suite 450 Deerfield, Illinois 60015	1,154,731	18.7%	12.5%
State Farm Mutual Automobile Insurance Company One State Farm Plaza Bloomington, Illinois 61710	937,521	15.3%	10.2%
Missner Venture Partners II, Limited Partnership (3) Two First National Bank Plaza, Suite 2020 Chicago, Illinois 60603	466,212	7.6%	5.1%
Baxter Healthcare Corporation One Baxter Parkway Deerfield, Illinois 60015	461,028	7.5%	5.0%
Galen Partners, L.P (4) 666 West Third Avenue, Suite 1400 New York, New York 10017	433,476	7.0%	4.7%
Jack W. Schuler (5)	814,512	13.0%	8.7%
Mark C. Miller (6)	558,171	9.0%	6.0%
Linda D. Lee (7)	55,333	*	*
Anthony J. Tomasello (8)	131,003	2.1%	1.4%
Michael J. Bernert (9)	52,590	*	*
Richard O. Shea (10)	55,315	*	*
Patrick F. Graham (11)	35,727	*	*
John Patience (12)	200,858	3.3%	2.2%
Lloyd D. Ruth (2)	--	*	*
Peter Vardy (13)	157,846	2.6%	1.7%
L. John Wilkerson, Ph.D. (14)	--	*	*
All officers and directors as a group (11 persons) (15)	2,118,988	31.2%	21.4%

* Less than 1%.

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Unless otherwise indicated in the footnotes to this table and subject to applicable community property laws, the persons named in this table have sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by them. Shares of Common Stock subject to options or warrants that are currently exercisable or exercisable within 60 days of June 1, 1996 are considered outstanding for purposes of computing the percentage of the person holding the option or warrant but are not considered for purposes of computing the percentage of any other person. The 98,001 shares of Common Stock issuable under the Safe Way Note are considered outstanding after completion of this Offering.

(2) Includes 53,811 shares issuable under a warrant exercisable within 60 days of June 1, 1996. Lloyd D. Ruth, a director of the Company, is a general partner of the general partner of Marquette Venture Partners, L.P.

("Marquette"). Mr. Ruth disclaims any beneficial ownership in any of the shares held by Marquette except to the extent of his pecuniary interest arising from his general partnership interest in the general partner of Marquette.

(3)Includes 35,414 shares owned by Richard Missner, who is a general partner of the general partner of Missner Venture Partners II, Limited Partnership ("Missner Partners"). Mr. Missner disclaims any beneficial ownership of the shares held by Missner Partners except to the extent of his individual ownership and his pecuniary interest arising from his general partnership interest in Missner Partners.

(4)Includes 81,374 shares issuable under a warrant exercisable within 60 days of June 1, 1996 and 40,459 shares (including 8,377 shares issuable under a warrant exercisable within 60 days of June 1, 1996) which are owned by an affiliate, Galen International Partners, L.P. L. John Wilkerson, Ph.D., a director of the Company, is a general partner of the general partner ("Galen") of Galen Partners, L.P. and Galen International Partners, L.P. Dr. Wilkerson disclaims any beneficial ownership of the shares held by Galen Partners, L.P. or Galen International Partners, L.P. except to the extent of his individual ownership and his pecuniary interest arising from his general partnership interest in Galen.

(5)Includes 89,524 shares issuable under warrants exercisable within 60 days of June 1, 1996, 39,643 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 32,716 shares owned by Mr. Schuler's wife or trusts for the benefit of his children, in respect of which Mr. Schuler disclaims any beneficial ownership.

(6)Includes 27,509 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 63,290 shares issuable under a warrant exercisable within 60 days of June 1, 1996, and 75,345 shares owned by trusts for the benefit of Mr. Miller's children, in respect of which Mr. Miller disclaims any beneficial ownership.

(7)Includes 25,519 shares issuable under stock options exercisable within 60 days of June 1, 1996.

(8)Includes 29,687 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 12,432 shares issuable under a warrant exercisable within 60 days of June 1, 1996.

(9)Includes 40,041 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 11,302 shares issuable under a warrant exercisable within 60 days of June 1, 1996.

(10)Includes 43,544 shares issuable under stock options exercisable within 60 days of June 1, 1996.

(11)Includes 31,087 shares issuable under stock options exercisable within 60 days of June 1, 1996.

(12)Includes 1,627 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 32,684 shares issuable under a warrant exercisable within 60 days of June 1, 1996.

(13)Includes 20,705 shares issuable under a warrant exercisable within 60 days of June 1, 1996, 1,648 shares issuable under options exercisable within 60 days of June 1, 1996 and 67,613 shares owned by trusts for the benefit of Mr. Vardy's children, in respect of which Mr. Vardy disclaims any beneficial ownership.

(14)L. John Wilkerson, Ph.D., a director of the Company, is a general partner of the general partner ("Galen") of Galen Partners, L.P. and Galen International Partners, L.P. Dr. Wilkerson disclaims any beneficial ownership of the shares held by Galen Partners, L.P. or Galen International Partners, L.P. except to the extent of his individual ownership and his pecuniary interest arising from his general partnership interest in Galen.

(15)Includes 286,769 shares issuable under stock options exercisable within 60 days of June 1, 1996 and 243,139 shares issuable under warrants exercisable within 60 days of June 1, 1996.

DESCRIPTION OF CAPITAL STOCK

Upon completion of this Offering, the Company's authorized capital stock will consist of 30,000,000 shares of Common Stock, par value $.01 per share. The following description reflects (i) a 1-for-5.3089 reverse stock split to be effective immediately prior to completion of this Offering and (ii) the automatic redesignation upon completion of this Offering of all of the Company's outstanding shares of Class A and Class B common stock and outstanding options to purchase shares of Class A or Class B common stock as a like number of shares of Common Stock or options to purchase a like number of shares of Common Stock, as the case may be. See "-- Reverse Stock Split."

COMMON STOCK

As of June 1, 1996, there were 6,218,455 shares of Common Stock outstanding which were held of record by 139 stockholders.

Holders of Common Stock are entitled to one vote per share on all matters to be voted upon by the stockholders but do not have cumulative voting rights in respect of the election of directors. Holders of Common Stock are entitled to receive ratably such dividends, if any, as may be declared from time to time by the Company's Board of Directors out of legally available funds. In the event of the liquidation, dissolution or winding up of the Company, holders of Common Stock are entitled to share ratably in all of the assets of the Company remaining after payment or provision for payment of the Company's liabilities. Holders of Common Stock have no preemptive or other subscription rights to purchase any securities of the Company, and there are no conversion rights or redemption or sinking fund provisions in respect the Common Stock. All outstanding shares of Class A and Class B Common Stock are, and all shares of Common Stock to be outstanding upon completion of this Offering will be, fully paid and non-assessable.

WARRANTS

As of June 1, 1996, there were outstanding warrants to purchase 409,848 shares of Common Stock, all of which were then exercisable at a weighted average exercise price of $6.84 per share. Of these outstanding warrants, warrants for 15,608 shares of Common Stock, at an exercise price of $17.63 per share, expire in March 1998; warrants for 6,773 shares of Common Stock, at an exercise price of $69.02 per share, expire in March 1999; warrants for 161,432 shares of Common Stock, at an exercise price of $1.59 per share (or 70% of the per share purchase price if the Company sells Common Stock in a single transaction prior to July 27, 1996 in which the aggregate purchase price is at least $1,000,000), expire in July 2000; and warrants for 226,035 shares of Common Stock, at an exercise price of $7.96, expire in May 2001. Holders of the warrants expiring on March 17, 1999 are entitled to certain rights in respect of the registration under the Securities Act of 1933, as amended (the "Securities Act"), of the shares of Common Stock issued upon the exercise of the warrants. See "-- Registration Rights of Certain Holders."

OPTIONS

As of June 1, 1996, there were outstanding options to purchase 725,591 shares of Common Stock, at a weighted average exercise price of $0.96 per share, of which options for 397,555 shares, at a weighted average exercise price of $0.66 per share, were exercisable within 60 days of June 1, 1996. With the exception of options for 9,943 shares, which were granted under terminated plans and are held by former employees and vendors to the Company and options for 11,481 shares issued to consultants engaged by the Company, all of these outstanding options were granted under the 1995 Stock Plan. See "Management -- Stock Option Plans."

REGISTRATION RIGHTS OF CERTAIN HOLDERS

Upon completion of this Offering, holders of 5,150,771 shares of Common Stock (including 6,773 shares issuable upon the exercise of certain of the Company's outstanding warrants and 98,001 shares to be issued in partial payment of an outstanding note due upon completion of this Offering) (the "Registrable Shares") will be entitled to certain rights in respect of the registration of the Registrable Shares under the Securities Act. Under the Amended and Restated Registration Agreement dated October 19, 1994, as amended, among the Company and such holders, holders of a majority of the Registrable Shares have the right, until the Company is eligible to file a registration statement on Form S-2 or Form S-3, to request on two occasions that the Company file a registration statement on Form S-1 to register all or a portion of their Registrable Shares. If and when the Company is eligible to file a registration statement on Form S-2 or Form S-3, holders of at least 25% of the Registrable Shares have the

right to request on an unlimited number of occasions that the Company file a registration statement on Form S-2 or Form S-3 to register all or a portion of their Registrable Shares. In addition, one holder of 937,521 Registrable Shares has the right, until July 10, 1996 or the closing of this Offering, whichever occurs first, to request on two occasions that the Company file a registration statement on any available form to register all or a portion of its Registrable Shares; and a second holder of 461,028 Registrable Shares has the right, which may be exercised at any time, to request on one occasion that the Company file a registration statement on any available form to register all or a portion of its Registrable Shares. If the Company proposes at any time to register any of its securities under the Securities Act, either for its own account or for the account of other security holders exercising registration rights, all holders of Registrable Shares are entitled to notice of the proposed registration and may request all or a portion of their Registrable Shares to be included in the registration. In general, the Company is required to pay all of the expenses in connection with any registration of Registrable Shares, including the fees and expenses of one counsel for the selling holder or holders of Registrable Shares but excluding underwriting discounts and commissions. The rights of holders of Registrable Shares are subject to certain conditions and limitations, including (i) a prohibition on the registration of any Registrable Shares within six months after the effective date of any prior registration of Registrable Shares and (ii) in the case of any proposed registration of the Company's securities which are to be sold in an underwritten public offering, the right of the underwriters to limit the number of Registrable Shares that may be included in the registration.

ANTI-TAKEOVER PROVISIONS OF DELAWARE LAW

The Company is subject to Section 203 of the Delaware General Corporation Law regulating corporate takeovers. Section 203 prevents certain Delaware corporations, including those whose securities are listed on Nasdaq, from engaging in any "business combination" with any "interested stockholder" for a period of three years following the date that the stockholder became an interested stockholder, with three exceptions: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon the consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time that the transaction commenced, excluding for purposes of determining the number of shares outstanding the shares owned by persons who are both directors and officers of the corporation and the shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to the date that the stockholder became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not pursuant to written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock of the corporation, excluding voting stock owned by the interested stockholder. The restrictions in Section 203 also do not apply to certain business combinations proposed by an interested stockholder following the announcement or notification of one of certain extraordinary transactions involving the corporation (for example, a proposed tender or exchange offer for 50% or more of the corporation's outstanding voting stock) which is approved or not opposed by a majority of the corporation's directors then in office and which is with or by a person who had not been an interested stockholder during the preceding three years or who became an interested stockholder with the approval of the corporation's board of directors.

Section 203 defines a "business combination" as, in general: (i) any merger or consolidation involving the corporation and the interested stockholder; (ii) any sale, lease, transfer, pledge or other disposition to the interested stockholder of 10% or more of the corporation's assets; (iii) subject to certain exceptions, any transaction which results in the issuance or transfer by the corporation to the interested stockholder of any stock of the corporation; (iv) any transaction involving the corporation which has the effect of increasing the proportionate share of the stock of any class or series, or of securities convertible into the stock of any class or series, which is beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation. Section 203 defines an "interested stockholder" as, in general, any person or entity who or which directly or indirectly beneficially owns 15% or more of the outstanding voting stock of the corporation and any person or entity affiliated or associated with or controlling or controlled by that person or entity.

The provisions of Section 203 could operate to delay or prevent the removal of incumbent directors of the Company or a change in control of the Company. They also could discourage, impede or prevent a merger, tender offer or proxy contest involving the Company, even if such an event would be favorable to the interests of the Company's stockholders generally. By adopting an amendment to the Company's certificate of incorporation or by-laws, the Company's stockholders may elect not to have Section 203 apply to the Company effective 12 months after the adoption of the amendment. Neither the Company's Certificate of Incorporation nor its By-Laws currently exclude the Company from the restrictions imposed by Section 203.

1995 RECAPITALIZATION

In order to simplify the Company's capital structure and align stockholder interests, the Board of Directors adopted a plan of recapitalization in August 1995 which was approved by the Company's stockholders in September 1995. Pursuant to the plan of recapitalization, the Company authorized the issuance of Class A and Class B common stock and reclassified its outstanding preferred stock, consisting of nine classes, as shares of Class A common stock using a reclassification formula for each class reflecting the conversion rate for that class and certain other adjustments. The Company also reclassified its outstanding common stock as a like number of shares of Class A common stock. The new Class B common stock could be issued only pursuant to the exercise of options granted and restricted stock awarded under the 1995 Stock Plan. The Class B common stock was subject to certain first refusal rights in the event of any proposed sale or transfer at the lower of the original exercise or purchase price or the price to be paid by the proposed purchaser or transferee.

REVERSE STOCK SPLIT

Immediately prior to completion of this Offering, the Company will effect a 1-for-5.3089 reverse stock split pursuant to which each outstanding share of Class A and Class B common stock will become 0.1884 shares, and the number of shares and exercise price of each outstanding option will be adjusted accordingly. All of the Company's outstanding warrants will be similarly adjusted in accordance with their terms. Upon completion of this Offering, all of the Company's outstanding shares of Class A and Class B common stock and outstanding options to purchase shares of Class A or Class B common stock will be redesignated as a like number of shares of Common Stock or options to purchase a like number of shares of Common Stock, as the case may be.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is Harris Trust and Savings Bank.

SHARES ELIGIBLE FOR FUTURE SALE

Prior to this Offering, there has been no public market for the Common Stock of the Company. Future sales of substantial amounts of Common Stock in the public market could adversely affect the market price of Common Stock. Aside from the 3,000,000 shares sold in this Offering, only a limited number of shares will be available for sale immediately following completion of this Offering because of certain contractual and legal restrictions on resale (as described below). Accordingly, sales of substantial amounts of Common Stock of the Company in the public market after these restrictions lapse could adversely affect the prevailing market price and the ability of the Company to raise equity capital in the future.

Upon completion of this Offering, the Company will have outstanding an aggregate of 9,218,455 shares of Common Stock, assuming no exercise of the Underwriters' over-allotment option and no exercise of outstanding stock options and warrants. Of these outstanding shares of Common Stock, the 3,000,000 shares sold in this Offering will be freely tradeable without restriction or further registration under the Securities Act, unless purchased by an "affiliate" of the Company as that term is defined in Rule 144 under the Securities Act.

The remaining 6,218,455 shares of Common Stock held by existing stockholders (the "Restricted Shares") will be "restricted securities" as that term is defined in Rule 144 under the Securities Act. The Restricted Shares may be sold in the public market only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rule 144 under the Securities Act (which is summarized below). Sales of the Restricted Shares in the public market, or the availability of the Restricted Shares for sale, could adversely affect the market price of the Common Stock.

Certain stockholders of the Company, including all executive officers and directors and the individuals and entities named in the table under "Principal Stockholders," who will beneficially own in the aggregate 5,571,624 Restricted Shares after the Offering, have entered into "lock-up" agreements with the Managing Underwriters pursuant to which they have agreed not to offer, sell, contract to sell, grant any option to purchase or otherwise dispose of, directly or indirectly, any of their Restricted Shares, or any shares of Common Stock that they may acquire through the exercise of stock options or warrants, or to exercise any of their registration rights in respect of their shares of Common Stock, for a period of 180 days from the date of this Prospectus without the prior written consent of Dillon, Read & Co. Inc. on behalf of the Managing Underwriters. As a result of these contractual restrictions, shares of Common Stock subject to the lock-up agreements are restricted from sale until the lock-up agreements expire, notwithstanding that they otherwise may be eligible for sale under Rule 144. Upon the expiration of the lock-up agreements, shares will be eligible for sale pursuant to Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this Prospectus, a person (or persons whose shares are required to be aggregated) who has beneficially owned Restricted Shares for at least two years (including the holding period of any prior beneficial owner except an affiliate of the Company) would be entitled to sell during any three-month period a number of Restricted Shares that does not exceed the greater of (i) 1% of the number of shares of Common Stock then outstanding or (ii) the average weekly trading volume of the Common Stock during the four calendar weeks preceding the filing of the required notice of sale on Form 144. Sales of Restricted Shares under Rule 144 are also subject to compliance with certain conditions relating to the manner of sale, the requirement to file notice of the sale with the Securities and Exchange Commission on Form 144 and the availability of current public information about the Company. Under Rule 144(k), a person who is not deemed to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the Restricted Shares proposed to be sold for at least three years (including the holding period of any prior owner except an affiliate), may sell the Restricted Shares under Rule 144 without regard to any volume limitation or other conditions or requirements of the rule. Accordingly, unless otherwise restricted, holders of Restricted Shares who are eligible to use Rule 144(k) may sell their shares immediately upon completion of this Offering.

As of June 1, 1996, there were outstanding options under the 1995 Stock Plan to purchase 704,167 shares of Common Stock, of which options for 381,137 shares were exercisable within 60 days of June 1, 1996. Of the options exercisable within 60 days of June 1, 1996, options for 286,769 shares were held by officers and directors of the Company subject to the lock-up agreements described above. Shortly after completion of this Offering, the Company intends to file a registration statement on Form S-8 to register the 1,506,904 shares of Common Stock issued or issuable under the 1995 Stock Plan and the 285,000 shares of Common Stock issuable under the Directors Plan. This registration statement will become effective automatically upon filing. Accordingly, shares registered under this registration statement will be available for sale in the public market, subject to the volume limitations under Rule 144 in the case of sales by affiliates of the Company, except to the extent that the shares are subject to contractual restrictions on sale under the lock-up agreements described above.

As of June 1, 1996, there were outstanding warrants to purchase 409,848 shares of Common Stock, all of which were then exercisable. Holders of warrants to purchase 387,829 shares of Common Stock are subject to the lock-up agreements described above.

UNDERWRITING

The names of the Underwriters of the shares of Common Stock offered hereby and the aggregate number of shares of Common Stock that each of them has agreed to purchase from the Company, subject to the terms and conditions specified in the Underwriting Agreement, are as follows:

UNDERWRITERS	NUMBER OF SHARES
Dillon, Read & Co. Inc.	
Salomon Brothers Inc	
William Blair & Company L.L.C	
Total	3,000,000

The Managing Underwriters are Dillon, Read & Co. Inc., Salomon Brothers Inc and William Blair & Company L.L.C.

If any shares of Common Stock offered hereby are purchased by the Underwriters, all such shares will be so purchased. The Underwriting Agreement contains certain provisions whereby, if any Underwriter defaults in its obligation to purchase such shares, and the aggregate obligations of the Underwriters so defaulting do not exceed 10% of the shares offered hereby, the remaining Underwriters, or some of them, must assume such obligations.

The Common Stock offered hereby is being initially offered severally by the Underwriters for sale at the price set forth on the cover page of this Prospectus, or at such price less a concession not to exceed $ per share on sales to certain dealers. The Underwriters may allow, and such dealers may reallow, a concession not to exceed $ per share on sales to certain other dealers. The offering of shares is made for delivery when, as, and if accepted by the Underwriters and subject to prior sale and withdrawal, cancellation or modification of the offer without notice. The Underwriters reserve the right to reject any order for the purchase of the shares. After the initial public offering, the public offering price, the concession and the reallowance may be changed by the Managing Underwriters.

The Company has granted to the Underwriters an over-allotment option to purchase up to an aggregate of 450,000 shares of Common Stock. If the Underwriters exercise this option, each of the Underwriters will have a firm commitment, subject to certain conditions, to purchase approximately the same percentage of the aggregate shares to be purchased as the number of shares to be purchased by it shown in the above table bears to 3,000,000. The Underwriters may exercise such option on or before the thirtieth day from the date of the Underwriting Agreement and only to cover over-allotments made of the shares in connection with this Offering.

The Company has agreed in the Underwriting Agreement to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Underwriters may be required to make in respect thereof.

The Company and certain of its officers, directors and stockholders prior to this Offering have agreed not to offer, sell, contract to sell, grant any option to sell, or otherwise dispose of, directly or indirectly, any shares of Common Stock, or securities convertible into or exercisable or exchangeable for, any shares of Common Stock or warrants or other rights to purchase shares of Common Stock, or permit the registration of any shares of Common Stock for a period of 180 days after the date of this Prospectus, without the prior consent of Dillon, Read & Co. Inc. acting on behalf of the Managing Underwriters.

Prior to this Offering, there has been no public market for the Common Stock of the Company. Consequently, the initial public offering price was determined by negotiation between the Company and the Managing Underwriters. Factors considered in determining this price included, among other things, prevailing market conditions, the state of the Company's development, the future prospects of the Company and its industry, market valuations of securities of companies engaged in activities deemed by the Managing Underwriters to be similar to those of the Company, and other factors deemed relevant. Consideration was also given to the general state of the securities market, the market conditions for new issues of securities and the demand for similar securities of comparable companies. The Company has applied for quotation of the Common Stock on Nasdaq under the symbol "SRCL."

The Underwriters do not expect to confirm sales to accounts over which they exercise discretionary authority.

At the request of the Company, the Underwriters have reserved up to 150,000 shares of Common Stock for sale at the initial offering price to employees of the Company and certain other parties. The number of shares available for sale to the general public will be reduced to the extent such individuals purchase such reserved shares. Any reserved shares not so purchased will be released for sale by the Underwriters to the general public no later than the closing date of this Offering (which is expected to be three business days after the date of this Prospectus) on the same terms as the other shares offered hereby. Reserved shares purchased by such individuals will, except as restricted by applicable securities laws, be available for resale following this Offering.

LEGAL MATTERS

Certain legal matters in connection with the Common Stock offered hereby are being passed upon for the Company by Johnson and Colmar, Chicago, Illinois and for the Underwriters by Cahill Gordon & Reindel (a partnership including a professional corporation), New York, New York.

EXPERTS

The consolidated financial statements of Stericycle, Inc. and subsidiaries at December 31, 1994 and 1995, and for each of the three years in the period ended December 31, 1995, appearing in this Prospectus and in the Registration Statement have been audited by Ernst & Young LLP, independent auditors, as set forth in their report with respect thereto, appearing elsewhere herein and in the Registration Statement and are included in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

This Prospectus forms part of a Registration Statement on Form S-1 (the "Registration Statement") which the Company has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C., under the Securities Act. In accordance with the Commission's rules and regulations, this Prospectus omits certain of the information in the Registration Statement and all of its exhibits, and reference is made to the Registration Statement and its exhibits for further information relating to the Company and the Common Stock offered hereby. Copies of the Registration Statement and its exhibits may be inspected without charge at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of this material can be obtained from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. Statements in this Prospectus concerning the provisions of any contract or document are not necessarily complete, and each such statement is qualified in its entirety by reference to the copy of the relevant contract or document filed as an exhibit to the Registration Statement.

STERICYCLE, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders
Stericycle, Inc.

We have audited the accompanying consolidated balance sheets of Stericycle, Inc. and Subsidiaries as of December 31, 1994 and 1995, and the related consolidated statements of operations, changes in shareholders' equity (net capital deficiency), and cash flows for each of the years in the three-year period ended December 31, 1995. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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, 1994 and 1995, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles.

Chicago, Illinois
March 20, 1996,
except for the first paragraph of Note 7,
as to which the date is , 1996

- ---

The foregoing report is in the form that will be signed upon the completion of the reverse stock split, the approval of the decrease in authorized common stock, and the redesignation of the Class A and Class B common stock as a like number of shares of common stock effective upon the closing of an initial public offering as described in the first paragraph of Note 7 to the financial statements.

ERNST & YOUNG LLP

Chicago, Illinois
June 11, 1996

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1994	1995
	(IN THOUSANDS)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,206	$ 138
Accounts receivable, less allowance for doubtful accounts of $150 in 1994 and $138 in 1995	4,817	3,731
Parts and supplies	603	468
Prepaid expenses	405	431
Other current assets	657	424
Total current assets	7,688	5,192
Property, plant and equipment:		
Land	90	90
Buildings and improvements	5,348	5,394
Machinery and equipment	7,240	7,644
Office equipment and furniture	390	406
Construction in progress	784	281
	13,852	13,815
Less accumulated depreciation and amortization	(2,219)	(3,587)
Property, plant and equipment-net	11,633	10,228
Other assets:		
Organization costs, net	75	32
Goodwill, less accumulated amortization of $97 in 1994 and $417 in 1995	7,782	7,517
Other	631	522
Total other assets	8,488	8,071
Total assets	$27,809	$23,491
LIABILITIES AND SHAREHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)		
Current liabilities:		
Current portion of long-term debt	$ 603	$ 297
Accounts payable	1,291	1,868
Accrued liabilities	2,655	1,956
Deferred revenue	629	632
Total current liabilities	5,178	4,753
Long-term debt:		
Industrial development revenue bonds and other	2,358	2,284
Note payable to bank	--	858
Note payable	2,480	2,480
Total long-term debt	4,838	5,622
Other liabilities	247	542
Convertible redeemable preferred stock (par value $.01 per share; 550,200 shares authorized, 489,079 issued and outstanding in 1994; none in 1995)	62,909	--
Shareholders' Equity (net capital deficiency):		
Common stock (par value $.01 per share, 30,000,000 shares authorized, 369,808 issued and outstanding in 1994, 5,582,385 issued and outstanding in 1995)	4	55
Additional paid-in capital	811	49,621
Accumulated dividends on convertible redeemable preferred stock	(13,001)	--
Notes receivable for common stock purchases	(619)	--
Accumulated deficit	(32,558)	(37,102)
Total shareholders' equity (net capital deficiency)	(45,363)	12,574
Total liabilities and shareholders' equity (net capital deficiency)	$27,809	$23,491

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

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE INFORMATION)

	FOR THE YEARS ENDED DECEMBER 31,		
	1993	1994	1995
Revenues	$ 9,141	$ 16,141	$ 21,339
Costs and expenses:			
Cost of revenues	8,947	13,922	17,478
Selling, general and administrative expenses	5,988	7,927	8,137
Total costs and expenses	14,935	21,849	25,615
Loss from operations	(5,794)	(5,708)	(4,276)
Other income (expense):			
Interest income	201	156	9
Interest expense	(245)	(260)	(277)
Other, net	(190)	--	--
Total other income (expense)	(234)	(104)	(268)
Net loss	(6,028)	(5,812)	(4,544)
Less cumulative preferred dividends	(3,733)	(4,481)	--
Loss applicable to common stock	$ (9,761)	$ (10,293)	$ (4,544)
Net loss per common share	$ (3.41)	$ (3.59)	$ (0.70)
Weighted average number of common shares outstanding	2,862,292	2,864,292	6,495,310

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

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(NET CAPITAL DEFICIENCY)
YEARS ENDED DECEMBER 31, 1993, 1994 AND 1995
(IN THOUSANDS)

	COMMON STOCK						
	ISSUED AND OUTSTANDING SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DIVIDENDS ON CONVERTIBLE REDEEMABLE PREFERRED STOCK	NOTES RECEIVABLE FOR COMMON STOCK PURCHASES	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY (NET CAPITAL DEFICIENCY)
BALANCES AT DECEMBER 31, 1992	372	$ 4	$ 813	$ (4,787)	$(974)	$(20,718)	$(25,662)
Issuance of common stock	6		35		(4)		31
Shares repurchased and retired	(9)		(37)		46		9
Accumulated dividends				(3,733)			(3,733)
Principal payments under notes receivable					277		277
Net loss for the year ended December 31, 1993						(6,028)	(6,028)
BALANCES AT DECEMBER 31, 1993	369	$ 4	$ 811	$ (8,520)	$(655)	$(26,746)	$(35,106)
Issuance of common stock	1						
Accumulated dividends				(4,481)			(4,481)
Principal payments under notes receivable					36		36
Net loss for the year ended December 31, 1994						(5,812)	(5,812)
BALANCES AT DECEMBER 31, 1994	370	$ 4	$ 811	$(13,001)	$(619)	$(32,558)	$(45,363)
Common stock issued in exchange for preferred stock	5,043	50	49,439				49,489
Common stock issued -- $.01 per share	350	3					3
Accumulated dividends canceled				13,001			13,001
Notes receivable canceled	(181)	(2)	(629)		619		(12)
Net loss for the year ended December 31, 1995						(4,544)	(4,544)
BALANCES AT DECEMBER 31, 1995	5,582	$ 55	$49,621	$ --	$ --	$(37,102)	$ 12,574

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

STERICYCLE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEARS ENDED DECEMBER 31,		
	1993	1994	1995
	(IN THOUSANDS)		
OPERATING ACTIVITIES:			
Net loss	$ (6,028)	$ (5,812)	$ (4,544)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	869	1,306	1,916
Settlement with regulatory agency	--	--	273
Other, net	100	--	129
Change in net operating assets, net of effect of acquisitions and divestitures:			
Accounts receivable	(800)	(3,126)	866
Parts and supplies	(84)	(241)	135
Prepaid expenses and other current assets	(174)	(486)	196
Other assets	(185)	(278)	128
Accounts payable	(464)	879	570
Accrued liabilities	(1,026)	766	(838)
Deferred revenue and other liabilities	2	280	298
Net cash used in operating activities	(7,790)	(6,712)	(871)
INVESTING ACTIVITIES:			
Capital expenditures	(3,368)	(1,910)	(726)
Payments for acquisitions, net of cash acquired	--	(1,530)	(459)
Proceeds from divestitures	--	--	792
Restricted certificate of deposit	285	--	--
Net cash used in investing activities	(3,083)	(3,440)	(393)
FINANCING ACTIVITIES:			
Repayment of long-term debt	(220)	(79)	(171)
Net proceeds from note payable to bank	--	--	858
Proceeds from sale and leaseback of equipment	--	882	--
Principal payments under capital lease obligations	(586)	(629)	(482)
Proceeds from issuance of convertible redeemable preferred stock	8,000	3,458	--
Repurchase of preferred stock	(8)	--	--
Principal payments on notes receivable for common stock purchases	319	36	--
Issuance of common stock	--	--	18
Other	--	--	(27)
Net cash provided by financing activities	7,505	3,668	196
Net decrease in cash and cash equivalents	(3,368)	(6,484)	(1,068)
Cash and cash equivalents at beginning of year	11,058	7,690	1,206
Cash and cash equivalents at end of year	$ 7,690	$ 1,206	$ 138

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

NOTE 1 -- DESCRIPTION OF BUSINESS

Stericycle, Inc. (the "Company") was incorporated in Delaware in March 1989 for the purpose of providing collection, transportation, treatment, disposal, reduction, reuse and recycling services for regulated medical waste to hospitals and other healthcare providers in the United States and Canada.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION:

The consolidated financial statements include the accounts of Stericycle, Inc. and its wholly-owned subsidiaries, Stericycle of Arkansas, Inc., Stericycle of Washington, Inc. and SWD Acquisition Corporation. All significant intercompany accounts and transactions have been eliminated.

REVENUE RECOGNITION:

The Company recognizes revenue when the treatment of the infectious medical waste is completed on-site or the waste is shipped off-site for processing and disposal. For waste shipped off-site, all associated costs are recognized at time of shipment.

CASH EQUIVALENTS:

The Company considers all highly liquid instruments with a maturity of less than three months when purchased to be cash equivalents.

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment are stated at cost. Depreciation and amortization, which includes the amortization 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 Improvements -- 10 to 30 years
Machinery and Equipment -- 3 to 10 years
Office Equipment and Furniture -- 5 to 10 years.

ORGANIZATION COSTS:

Organization costs are amortized using the straight-line method over five years. Accumulated amortization at December 31, 1994 and 1995 was $141,000 and $184,000, respectively.

GOODWILL:

Goodwill is amortized using the straight-line method over 15 to 25 years. The Company periodically assesses whether a change in circumstances has occurred subsequent to an acquisition which would indicate that the future useful life or carrying value of goodwill should be revised. The Company considers the future earnings potential of the acquired business in assessing the recoverability of goodwill.

NEW PLANT DEVELOPMENT AND PERMITTING COSTS:

The Company expenses costs associated with the operations of new plants prior to the commencement of services to customers and all initial and on-going costs related to permitting.

STOCK OPTIONS:

The Company accounts for stock options in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). In accordance with APB 25, as the exercise price of the Company's employee stock options equals the fair value, as determined by the Company's Board of Directors, of the underlying stock on the date of grant, no compensation expense is recorded.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT COSTS:

The Company expenses costs associated with research and development as incurred. Research and development expense for 1993, 1994, and 1995 was $231,000, $1,082,000, and $975,000, respectively.

INCOME TAXES:

Deferred income taxes reflect the net tax effects 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 difference 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.

LONG-LIVED ASSETS:

In March 1995, the Financial Accounting Standards Board issued Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("FAS 121"), which requires impairment losses to be recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. FAS 121 also addresses the accounting for long-lived assets that are expected to be disposed of. The Company will adopt FAS 121 in 1996 and, based on current circumstances, does not believe the effect of adoption will be material to the Company's financial position.

FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and payable and long-term debt. The fair values of these financial instruments were not materially different from their carrying values, except for long-term debt as discussed in Note 5. Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains allowances for potential credit losses. These losses, when incurred, have been within the range of management's expectations.

USE OF ESTIMATES:

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

EARNINGS PER SHARE:

Earnings per share computations are based on the weighted average number of shares of common stock outstanding and include the dilutive effect of stock options and warrants using the treasury stock method. The computations also reflect the effect of the stock split and the redesignation of Class A common stock and Class B common stock as common stock as discussed in Note 7.

Pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 83, stock options and warrants granted by the Company during the 12 months immediately preceding the initial filing of a registration statement have been included as common stock equivalents as if they were outstanding for all periods presented, whether or not dilutive, because the sale or option price per share was below the initial public offering price per share.

NOTE 3 -- INCOME TAXES

At December 31, 1995, the Company had net operating loss carryforwards for income tax purposes of approximately $36,493,000, expiring beginning in 2004. Based on the Internal Revenue Code of 1986, as amended, and changes in the ownership of the Company, utilization of the net operating loss carryforwards may be subject to annual limitations, which could significantly restrict or partially eliminate the utilization of the net operating losses.

NOTE 3 -- INCOME TAXES (CONTINUED)

The Company's deferred tax liabilities and assets as of December 31, 1994 and 1995 are as follows:

	1994	1995
Deferred tax liabilities:		
Property, plant, and equipment	$ (280,000)	$ (319,000)
Goodwill	(42,000)	(122,000)
Total deferred tax liabilities	(322,000)	(441,000)
Deferred tax assets:		
Accrued liabilities	395,000	298,000
Capital lease obligations	146,000	--
Research and development costs	--	324,000
Other	60,000	190,000
Net operating tax loss carryforward	13,214,000	14,597,000
Total deferred tax assets	13,815,000	15,409,000
Net deferred tax assets	13,493,000	14,968,000
Valuation allowance	(13,493,000)	(14,968,000)
Net deferred tax assets	$ --	$ --

NOTE 4 -- ACQUISITIONS AND DIVESTITURES

In January 1996, the Company purchased the customer list and certain other assets of WMI Medical Services of New England, Inc. for $100,000 in cash and $492,000 in notes payable issued to sellers.

In July 1995, the Company sold selected customer lists and related assets for $248,000. The Company recognized a gain of $50,000 on this transaction, which is included in the 1995 Consolidated Statement of Operations as Selling, General and Administrative Expense.

In June 1995 the Company purchased the customer list and transportation equipment and assumed certain contract obligations of Safetech Health Care for $160,000.

In April 1995, the Company sold the St. Louis portion of its business to a competitor. The Company received $544,000 as payment for the customer list and concurrently agreed to resolve an anti-trust lawsuit brought against this competitor by the Company. The Company recognized a gain on this transaction of $408,000, which is included in the 1995 Consolidated Statement of Operations as Selling, General and Administrative Expense.

In September 1994, SWD Acquisition Corporation, a wholly owned subsidiary of the Company, purchased selected assets and assumed certain liabilities of Safe Way Disposal Systems, Inc. ("Safe Way"). The assets purchased consisted of the customer list, containers, transportation equipment and office equipment. The Company paid $900,000 in cash and issued a $2,480,000 note payable and 23,929 shares of preferred stock with a liquidation value of $100 per share. The note payable and stock are held in escrow (see Note 5). As part of the agreement, the Company agreed to pay up to $575,000 of certain current liabilities of Safe Way upon its request. In consideration for these payments, the preferred stock issued under such agreement would be reduced. As of December 31, 1995, the Company has paid $468,000 of additional liabilities.

As a result of the Company's 1995 recapitalization, the 23,929 shares of preferred stock issued to Safe Way were reclassified as 129,985 shares of common stock. See further discussion in Note 7.

In March 1994, the Company purchased the customer list, containers and transportation equipment of Recovery Corporation of Illinois for $630,000 in cash and 5,000 shares of preferred stock with a liquidation value of $100 per share.

NOTE 4 -- ACQUISITIONS AND DIVESTITURES (CONTINUED)

For financial reporting purposes, each acquisition was accounted for as a purchase, and the purchase price was allocated to assets acquired and liabilities assumed based on the estimated fair market value at the date of acquisition. The excess of the purchase price over fair market value of net assets acquired is reflected in the accompanying consolidated balance sheets as goodwill. The results of operations of these acquired businesses are included in the consolidated statements of operations from the date of acquisition. The effect of these acquisitions would not have a significant effect on the Company's operations, except for the Safe Way acquisition.

Based on unaudited data, the following table presents selected financial information for the Company and its subsidiaries on a pro forma basis, assuming the Company and Safe Way had been combined since January 1, 1993:

	YEAR ENDED DECEMBER 31, 1993	YEAR ENDED DECEMBER 31, 1994
Revenues	$ 16,655	$ 20,494
Loss applicable to common stock	(10,604)	(10,597)
Net loss per common share	$ (3.70)	$ (3.70)

The pro forma results are not necessarily indicative of future operations or the actual results that would have occurred had the Safe Way acquisition been made as of January 1, 1993.

NOTE 5 -- LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	1994	1995
	(IN THOUSANDS)	
Industrial development revenue bonds	$ 1,753	$ 1,633
Obligations under capital leases	970	488
Note payable to bank	--	858
Note payable	2,480	2,480
Mortgage payable and other	238	460
	$ 5,441	$ 5,919
Less: Current portion	603	297
TOTAL	$ 4,838	$ 5,622

On October 31, 1995, the Company entered into a revolving line of credit with Silicon Valley Bank. To secure this line of credit, the Company granted the bank a lien on all of the Company's assets. Borrowings under the line of credit are limited to the lesser of $2,500,000 or a specified percentage of the Company's eligible receivables, as defined in the loan and security agreement. Outstanding borrowings bear interest at the bank's prime rate (8.5% at December 31, 1995), plus 3.0%. At December 31, 1995, the outstanding loan balance was $858,000 and the Company had unused borrowing capacity of $821,000. This agreement has a maturity date of October 31, 1997 and is subject to automatic renewal for additional one year periods, unless 60 days written notice is provided by either party in advance of the maturity date. Under the terms of the loan and security agreement, the Company is, among other things, restricted from paying dividends and is required to maintain minimum levels of tangible net worth and debt to tangible net worth.

In 1995, an agreement was reached with the Rhode Island Department of Environmental Management regarding two notices of violation issued in 1994 and 1995. Although the Company believed that the allegations were meritless, the agreement was entered into in order to resolve the matter in the best interests of the Company and its customers in a timely manner. The Company agreed to pay $35,000 each year from 1995 to 1998, $50,000 in 1999, $60,000 in 2000 and $150,000 in 2001 to the Rhode Island Air and Water Protection Fund. In addition, the

NOTE 5 -- LONG-TERM DEBT (CONTINUED)
Company agreed to perform community services and conduct seminars over a five-year period. The Company recorded this obligation based on the discounted cash flows expected to be paid over the term of agreement, using a discount rate of 11.75%. The recorded obligation of $240,000 at December 31, 1995 has been included in mortgage payable and other long-term debt. An expense of $458,000 is included in the 1995 Consolidated Statement of Operations as Selling, General and Administrative Expense. This amount reflects the recorded obligation and legal fees incurred in the settlement.

In 1994, a non-interest bearing note payable in the amount of $2,480,000 was issued as part of the purchase of the net assets of Safe Way. Upon maturity, a portion of the note is payable in 98,001 shares of common stock (see Note 7) and a portion is payable in cash. The note will mature on the earlier of June 25, 1997 or an initial public offering, as defined in the purchase agreement between the Company and Safe Way.

During 1992 the Company entered into certain obligations to finance the development of its Woonsocket, Rhode Island and Morton, Washington facilities. The development and purchase of substantially all of the property and equipment for the Woonsocket, Rhode Island facility was financed from the issuance of industrial development revenue bonds. The bonds are due in various amounts through 2017 at fixed interest rates ranging from 5.75% to 7.375% and are collateralized by the property and equipment at the Woonsocket, Rhode Island 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.

As part of the development of the Company's Morton, Washington facility, the Company entered into a loan agreement with a bank for $255,000. The Company is required to make monthly payments of $2,361 for principal and interest through 2007. Interest paid is based upon a specified index plus 4.5%. The interest rate was 9.54% and 9.78% at December 31, 1994 and 1995, respectively. The loan is collateralized by the property and equipment at the Morton, Washington facility.

Payments due on long-term debt, excluding capital lease obligations, during each of the five years subsequent to December 31, 1995 are as follows:

	(IN THOUSANDS)
1996	$ 159
1997	3,514
1998	182
1999	208
2000	223

The Company paid interest of $282,000, $271,000 and $262,000 for the years ended December 31, 1993, 1994 and 1995, respectively.

The fair value of the Company's long term debt was estimated using a discounted cash flow analysis, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. At December 31, 1995 the fair value of the Company's debt was approximately $4,275,000.

CAPITAL LEASES:

In February 1994, the Company entered into a sale and leaseback transaction for equipment acquisitions at the Yorkville, Wisconsin facility in the amount of $882,000. No gain or loss was recognized on the sale and leaseback. The lease arrangement has a term of 60 months and at the end of the lease, the Company will have the option to renew the lease, return the equipment or purchase the equipment at a fair market value not to exceed 11% of the original purchase price.

NOTE 5 -- LONG-TERM DEBT (CONTINUED)

The Company is the lessee of machinery and equipment under capital leases expiring in 1999. At December 31, property under capital leases included with Property, Plant and Equipment in the accompanying Consolidated Balance Sheets is as follows:

	1994	1995
	(IN THOUSANDS)	
Machinery and equipment	$ 1,880	$ 882
Less-Accumulated depreciation and amortization	(345)	(169)
	$ 1,535	$ 713

Minimum future lease payments under capital leases are as follows:

	(IN THOUSANDS)
1996	$ 176
1997	176
1998	176
1999	26
Total minimum lease payments	554
Less -- Amounts representing interest	(66)
Present value of net minimum lease payment	488
Less -- Current portion	(138)
Long-term obligations under capital leases	$ 350

NOTE 6 -- LEASE COMMITMENTS

The Company leases 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 seven years. The leases for most of the properties contain renewal provisions.

Rent expense for 1993, 1994 and 1995 was $1,930,000, $1,643,000 and $1,739,000, respectively.

Minimum future rental payments under non-cancelable operating leases that have initial or remaining terms in excess of one year as of December 31, 1995 for each of the next five years and in the aggregate are as follows:

	(IN THOUSANDS)
1996	$ 1,324
1997	1,132
1998	985
1999	591
2000	442
Thereafter	462
Total minimum rental payments	$ 4,936

NOTE 7 -- COMMON AND PREFERRED STOCK

STOCK SPLIT:

In June 1996, the Company's Board of Directors authorized a 1-for-5.3089 reverse stock split, effective upon the closing of an initial public offering of the Company's common stock. Upon the closing of an initial public offering, 5,236,209 shares of Class A common stock and 346,176 shares of Class B common stock will be redesignated as a like number of shares of common stock. In June 1996, the Company's Board of Directors and

NOTE 7 -- COMMON AND PREFERRED STOCK (CONTINUED)
shareholders authorized a decrease in the number of authorized shares of common stock from 58,000,000 shares to 30,000,000 shares. All common shares, per share, weighted average shares outstanding and stock option data have been adjusted to reflect this stock split, the redesignation of the Class A and Class B common stock as common stock, and the decrease in authorized common stock.

The following table details the convertible redeemable preferred stock activities for each of the years in the three-year period ended December 31, 1995:

	SHARES	AMOUNT (IN THOUSANDS)
Balances at December 31, 1992	356	$ 40,353
Issuance of Class E preferred stock	70	8,000
Shares retired	--	(8)
Accumulated dividends	--	3,733
Balances at December 31, 1993	426	$ 52,078
Issuance of Classes F, G, H & I preferred stock	63	6,350
Accumulated dividends	--	4,481
Balances at December 31, 1994	489	$ 62,909
Canceled shares of preferred stock	(4)	(419)
Common stock issued in exchange for preferred stock	(485)	(62,490)
Balances at December 31, 1995	$ --	$ --

In August 1995 the Board of Directors adopted a plan of recapitalization which was approved by the Company's stockholders in September 1995, pursuant to which the Company reclassified its outstanding convertible redeemable preferred stock as 5,043,418 shares of common stock and increased the authorized common stock to 57,000,000 shares from 9,400,000 shares and in April 1996 authorized a further increase in the authorized common stock to 58,000,000 (see Note 8).

Shares of the Company's common stock have been reserved for issuance upon conversion of the Safe Way note payable (see Note 5) and the exercise of warrants and options. These shares have been reserved as follows at December 31, 1995:

Safe Way note payable	98,001
1993 Plan options	9,943
1995 Plan options	923,286
Warrants	242,396
Total shares reserved	1,273,626

As part of the plan of recapitalization, all conversion, redemption and liquidation rights associated with the convertible redeemable preferred stock were terminated in exchange for the issuance of shares of common stock. The liquidation preference of the preferred stock as of December 31, 1994 was $61,909,112 and was canceled by the plan of recapitalization.

NOTE 8 -- STOCK OPTIONS AND WARRANTS

STOCK OPTIONS:

In September 1993, the Company's shareholders approved an amended and restated stock option plan (the "1993 Plan"), which provided for the granting of options to purchase up to 113,018 shares of common stock. In November 1995, the outstanding options of all current employees were canceled in conjunction with the Company's recapitalization (see Note 7).

The following table summarizes option activity through December 31, 1995:

	OPTION PRICE	# SHARES	EXERCISABLE
Outstanding at December 31, 1992	$ 5.31-$42.47	35,412	5,274
Granted	$ 5.84	45,961	
Granted	$ 6.90	1,130	
Outstanding at December 31, 1993	$ 5.31-$42.47	82,503	15,626
Granted	$ 5.84	377	
Granted	$ 6.90	29,254	
Canceled		(2,405)	
Outstanding at December 31, 1994	$ 5.31-$42.47	109,729	39,864
Canceled		(99,786)	
Outstanding at December 31, 1995	$ 5.31-$42.47	9,943	4,938

In 1995, the Company's Board of Directors and shareholders approved an Incentive Compensation Plan (the "1995 Plan"), which provides for the granting of additional shares of common stock in the form of stock options and restricted stock to employees, officers, directors and consultants of the Company. 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. The sale or transfer of outstanding shares of common stock is subject to the right of first refusal by the Company. As of December 31, 1995, options to purchase 923,292 shares of common stock at an exercise price of $0.53 per share had been granted and were outstanding, of which 537,682 were exercisable.

WARRANTS:

The Company, in conjunction with a lease financing agreement, issued the lessor warrants to purchase up to 14,805 shares of common stock at $18.58 per share. At December 31, 1995, all of these warrants were outstanding and expire on March 3, 1998.

The Company, in connection with the issuance of preferred stock, which was subsequently reclassified as common stock (see Note 7), issued warrants to purchase up to 6,773 shares of common stock at an exercise price of $69.02 per share. At December 31, 1995, warrants to purchase 6,773 shares at $69.02 per share were issued and outstanding. These warrants expire on March 16, 1999.

During 1995, several of the Company's shareholders and directors provided a bridge loan to the Company. The loan totaled $830,000 with interest at prime plus 3%. In addition to the interest, the lenders received warrants to purchase 220,559 shares of common stock at $1.59 per share. These warrants expire on July 31, 2000. The bridge loan was repaid in November 1995 with proceeds from the Company's revolving line of credit.

NOTE 9 -- REGISTRATION AGREEMENT

The Company is a party to a Registration Agreement which gives certain shareholders of the Company registration rights for their shares. The parties to the Registration Agreement are the original holders of the Company's prior Class A, B, C, D, E, F, H, and I preferred stock. After the Company's 1995 recapitalization, the

NOTE 9 -- REGISTRATION AGREEMENT (CONTINUED)
Registration Agreement was amended to provide that the registration rights applied to the shares of common stock that the parties to the Registration Agreement received pursuant to the recapitalization, shares issuable under certain warrants issued to purchasers of the Company's prior Class F preferred stock and the common stock to be delivered by the Company in payment of the Safe Way Note. According to the Registration Agreement (i) at any time, the holders of a majority of the shares which are subject to the registration rights can request registration of their shares on Form S-1 (a "Long-Form Registration") and the holders of at least 25% of these shares can request registration of their shares on Form S-2 or S-3, (ii) at any time after either an initial public offering or July 10,1996, one shareholder who is a party to the Registration Agreement may request a Long Form registration, (iii) at any time after an initial public offering, another shareholder who is a party to the Registration Agreement can request a Long Form registration, and (iv) the parties to the Registration Agreement have the right to include their shares in any registration which is requested or in any other registration that the Company may otherwise undertake. If any registration is requested, the Company will use its best efforts to effect the requested registration at its own expense.

NOTE 10 -- EMPLOYEE BENEFIT PLAN
The Company has a defined contribution retirement savings plan covering substantially all employees of the Company. Each participant may elect to defer a portion of his or her compensation subject to certain limitations. The Company may match up to 30% of the first $1,000 contributed to the retirement savings plan by each employee. The Company's contributions for the years ended December 31, 1993, 1994 and 1995 were approximately $9,000, $13,000 and $14,000, respectively.

NOTE 11 -- RELATED PARTIES
In October 1993, the Company entered into an Alliance Agreement ("Alliance") with an investor in the Company. The purpose of the Alliance was to develop new technologies and procedures for recycling regulated medical waste. The Company devoted resources to the Alliance research and development program during the first 18 months of the Alliance. The investor has rights with respect to the development of any Alliance technology as part of the research and development program. During the initial 18 months of the Alliance, the Company provided for $1 million of research and development costs under this agreement. A license agreement is effective upon the non-renewal of the Alliance and grants the investor a license to use the Alliance technology subject to certain conditions.

Under the Alliance, the investor and the Company have an ongoing relationship to provide services and products to the healthcare market place.

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	MARCH 31, 1996
	(IN THOUSANDS)
ASSETS	
Current Assets:	
Cash and cash equivalents	$ 120
Accounts receivable, less allowance for doubtful accounts of $146	3,995
Parts and supplies	436
Prepaid expenses	153
Other current assets	458
Total current assets	5,162
Property, Plant and Equipment:	
Land	90
Buildings and improvements	5,406
Machinery and equipment	8,171
Office equipment and furniture	408
Construction in progress	281
	14,356
Less accumulated depreciation and amortization	(3,961)
Property, plant and equipment -- Net	10,395
Other Assets:	
Organization costs, net	21
Goodwill, less accumulated amortization of $496	7,797
Other	501
Total other assets	8,319
Total assets	$ 23,876
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Current portion of long-term debt	$ 759
Accounts payable	1,703
Accrued liabilities	2,009
Deferred revenue	652
Total current liabilities	5,123
Long-Term Debt:	
Industrial development revenue bonds and other	2,564
Note payable to bank	952
Note payable	2,480
Total long-term debt	5,996
Other Liabilities	529
Shareholders' Equity:	
Common stock (par value $.01 per share; 30,000,000 shares authorized, 5,616,651 issued and outstanding)	56
Additional paid-in capital	49,621
Accumulated deficit	(37,449)
Total shareholders' equity	12,228
Total liabilities and shareholders' equity	$ 23,876

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

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	FOR THE QUARTER ENDED MARCH 31,	
	1995	1996
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)	
Revenues	$ 5,446	$ 5,578
Costs and expenses:		
Cost of revenues	4,227	4,337
Selling, general and administrative	2,762	1,505
Total costs and expenses	6,989	5,842
Loss from operations	(1,543)	(264)
Other income (expense):		
Interest income	6	--
Interest expense	(54)	(83)
Total other income (expense)	(48)	(83)
Net loss	(1,591)	(347)
Less cumulative preferred dividends	(1,573)	--
Loss applicable to common stock	$ (3,164)	$ (347)
Net loss per common share	$ (1.10)	$ (0.05)
Weighted average number of common shares outstanding	2,864,292	6,577,287

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

STERICYCLE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	FOR THE QUARTER ENDED MARCH 31,	
	1995	1996
	(IN THOUSANDS)	
OPERATING ACTIVITIES:		
Net loss	$ (1,591)	$ (347)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	443	479
Asset write down	503	--
Change in net operating assets, net of effect of acquisitions and divestitures:		
Accounts receivable	64	(81)
Parts and supplies	67	48
Prepaid expenses and other	128	245
Other assets	(115)	32
Accounts payable	311	(165)
Accrued liabilities	(685)	63
Deferred revenue and other liabilities	372	7
Net cash (used in) provided by operating activities	(503)	281
INVESTING ACTIVITIES:		
Capital expenditures	(9)	(169)
Payments for acquisitions, net of cash acquired	--	(100)
Net cash used in investing activities	(9)	(269)
FINANCING ACTIVITIES:		
Repayment of long-term debt	(30)	(82)
Net proceeds from note payable to bank	--	94
Principal payments under capital lease obligations	(136)	(42)
Net cash used in financing activities	(166)	(30)
Net decrease in cash and cash equivalents	(678)	(18)
Cash and cash equivalents at beginning of period	1,206	138
Cash and cash equivalents at end of period	$ 528	$ 120
Supplementary disclosure of cash flow information -- acquisition of machinery and equipment financed with a capital lease	$ --	$ 364

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

STERICYCLE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
MARCH 31, 1996

NOTE 1 -- BASIS OF PRESENTATION

The accompanying 1995 and 1996 unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes these disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal recurring nature. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the three years ended December 31, 1995. The results of operations for the three-month period ended March 31, 1996 are not necessarily indicative of the results that may be achieved for the entire year ending December 31, 1996.

NOTE 2 -- ACQUISITIONS

On April 30, 1996, the Company purchased the customer list and certain other assets, totaling approximately $200,000, of Sharps Incinerator of Fort, Inc. for $757,000 in cash of which $562,000 was payable at closing and the balance plus interest (prime plus 1%) is due on November 1, 1996. This transaction will be accounted for using the purchase method of accounting.

On May 1, 1996, the Company purchased the customer list and certain other assets of Doctors Environmental Control, Inc. for $400,000 in cash and notes payable issued for $600,000, which are payable on May 1, 1998. In addition, the Company assumed two vehicle leases totaling $77,000 and delivered four option agreements to shareholders of the seller giving them an option to purchase up to a total of 53,816 shares of the Company's common stock. The price for the purchase of the common stock upon exercise of each option is (i) the surrender and cancellation of the note payable, or (ii) in the event that any payments have been made under the notes payable, the surrender and cancellation of the note payable and payment of cash such that the cash payment and the outstanding balance of principal and interest on the note payable together equal the balance of the note as if no payments had been made on the note payable. The transaction will be accounted for using the purchase method of accounting.

These acquisitions are not significant to the 1996 first quarter results.

NOTE 3 -- BRIDGE LOAN

In May 1996, the Company obtained a $1,000,000 bridge loan from certain shareholders, directors and officers to provide working capital and to finance additional acquisitions. The notes are subordinated to bank debt and bear interest at the rate of 7% per annum unless repaid prior to January 1997. The notes are due in May 1997 or within 30 days after completion of an initial public offering in which the Company raises at least $20,000,000. In connection with this loan, the Company issued warrants to members of the lending group to purchase an aggregate of 226,037 shares of common stock at $7.96 per share. The warrants expire in May 2001.

NOTE 4 -- STOCK OPTIONS

During the quarter ended March 31, 1996 the Board of Directors granted options to purchase 49,073 shares of common stock to key employees. The options will vest over 12 to 36 months at an exercise price of $0.53 per share.

Additionally, during the first quarter the Board approved the options to purchase 30,769 shares of common stock by various consultants to the Company. The options carry an exercise price of $2.12 per share.

In April 1996, the Board of Directors granted options to purchase 157,189 shares of common stock to employees. The options will vest over 12 to 36 months and carry an exercise price of $1.99 per share.

In June 1996, the Company's Board of Directors adopted a Directors Stock Option Plan. The plan authorizes stock options for a total of 285,000 shares of common stock to be granted to eligible directors of the Company.

NOTE 4 -- STOCK OPTIONS (CONTINUED)
Under such plan, each director who is not an employee of the Company and who is elected or re-elected as a director at the annual meeting of the Company's stockholders, beginning with the annual meeting in 1997, will automatically receive an option on the date of the annual meeting. The option will be for the number of shares of common stock determined by multiplying 7,000 shares by a fraction, the numerator of which is $12.00 and the denominator of which is the exercise price, subject to a maximum option grant of 9,500 shares and a minimum option grant of 4,500 shares. The term of each option will be six years from the date of grant and will vest in 12 equal quarterly installments and may be exercised only when it is vested and only while the holder of the option remains a director of the Company or during the 90-day period following the date that he or she ceases to serve as a director. With the approval of the Company's Board of Directors, the holder of an option may pay the exercise price by delivering other shares of common stock, or by directing the Company to withhold shares of common stock otherwise issuable upon exercise of the option having a fair market value on the date of exercise equal to the exercise price.

NOTE 5 -- INCOME TAXES
The Company incurred a net operating loss in both the first quarter of 1995 and 1996. Any tax benefit resulting from these net operating losses has been offset by a valuation allowance.

NOTE 6 -- EMPLOYEE STOCK PURCHASE PLAN
Under a plan approved by the Board of Directors, employees of Stericycle may purchase shares of common stock at a price of $2.12 per share. Under terms of the plan employees are allowed to purchase shares by December 31, 1995 and pay for the stock during 1996. Employees elected to purchase a total of 30,232 shares of common stock.

NOTE 7 -- STOCK SPLIT
STOCK SPLIT:

In June 1996, the Company's Board of Directors authorized a 1-for-5.3089 reverse stock split, effective upon the closing of an initial public offering of the Company's Common Stock. Upon the closing of an initial public offering, 5,236,209 shares of Class A common stock and 346,176 shares of Class B common stock will be redesignated as a like number of shares of common stock. In June 1996, the Company's Board of Directors and shareholders authorized a decrease in the number of authorized shares of common stock from 58,000,000 shares to 30,000,000 shares. All common shares, per share, weighted average shares outstanding and stock option data have been adjusted to reflect this stock split, the redesignation of the Class A and Class B common stock as common stock, and the decrease in authorized common stock.

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS NOT CONTAINED IN THIS PROSPECTUS, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MAY NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY OR ANY UNDERWRITER. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, SHARES OF COMMON STOCK IN ANY JURISDICTION TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER OR SOLICITATION IN SUCH JURISDICTION OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE OF HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO ITS DATE.

TABLE OF CONTENTS

UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

STERICYCLE, INC.

3,000,000 SHARES

COMMON STOCK

PROSPECTUS

, 1996

DILLON, READ & CO. INC.

SALOMON BROTHERS INC

WILLIAM BLAIR & COMPANY

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the various expenses in connection with the sale and distribution of the securities being registered (other than underwriting discounts and commissions). All amounts shown are estimates except the Securities and Exchange Commission registration fee, the NASD filing fee and the Nasdaq National Market application and listing fee. All of these expenses will be paid by the Registrant.

SEC registration fee	$15,465.00
NASD filing fee	4,985.00
Nasdaq National Market application and listing fee	43,500.00
Legal fees and expenses	250,000.00
Accounting fees and expenses	160,000.00
Printing and engraving expenses	80,000.00
Blue sky fees and expenses	20,000.00
Transfer agent fees	10,000.00
Directors' and officers' liability insurance	150,000.00
Miscellaneous	66,050.00
Total	$800,000.00

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the Delaware General Corporation Law provides generally that a person sued as a director, officer, employee or agent of a corporation may be indemnified by the corporation in non-derivative suits for expenses (including attorneys' fees), judgments, fines and amounts paid in settlement if such person acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the corporation. In the case of criminal actions and proceedings, the person must also not have had reasonable cause to believe that his or her conduct was unlawful. Indemnification of expenses is also authorized in stockholder derivative actions if the person acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the corporation and if he or she has not been found liable to the corporation. Even in this latter instance, the court may determine that in view of all the circumstances such person is entitled to indemnification for such expenses as the court deems proper. A person sued as a director, officer, employee or agent of a corporation who has been successful in defense of the action must be indemnified by the corporation against expenses.

Article Fifth of the Registrant's By-Laws requires the Company to indemnify its directors, officers, employees and agents to the maximum extent permitted by Delaware law. Article Fifth also requires the Registrant to advance the litigation expenses of a director or officer on receipt of his or her written undertaking to repay all amounts advanced if it is ultimately determined that he or she is not entitled to indemnification.

Section 102(b)(7) of the Delaware General Corporation Law permits a corporation to include a provision in its certificate of incorporation eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for a breach of the director's fiduciary duty of care. Such a provision may not eliminate or limit the liability of a director for breaching his or her duty of loyalty, failing to act in good faith, engaging in intentional misconduct or knowingly violating a law, declaring an illegal dividend or approving an illegal stock repurchase, or obtaining an improper personal benefit.

Article Ninth of the Registrant's Certificate of Incorporation eliminates the personal liability of the Registrant's directors to the fullest extent permitted by Section 102(b)(7).

The Registrant intends to obtain directors' and officers' liability insurance to insure the Registrant's directors and officers are insured against actual liabilities, including liabilities under the federal securities laws, for acts or omissions related to the conduct of their duties.

The Underwriting Agreement, filed as Exhibit 1.1 to this Registration Statement, provides for indemnification by the Underwriters of the Registrant and its officers and directors for certain liabilities relating to this Offering.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

In July 1993, the Registrant sold 2,000 shares of common stock to an employee for $2,200.

In October 1993, the Registrant 750.75 shares of Class B preferred stock and 23,450 shares of common stock to 27 employees for $235,953 and $23,595, respectively.

In October 1993, the Registrant sold 70,000 shares of Class E preferred stock to one investor for $8,000,000.

In February 1994, the Registrant issued 4,500 shares of common stock to a temporary employee for services rendered to the Registrant.

In March 1994, the Registrant sold 9,350 shares of Class F preferred stock and warrants to purchase 35,959 shares of the Registrant's common stock to 10 investors, including Peter Vardy, a director of the Registrant, for $935,360.

In March 1994, the Registrant issued 5,000 shares of Class G preferred stock, having a value of $500,000, to Recovery Corporation of Illinois ("RCI") in connection with the Registrant's purchase of certain of RCI's assets.

In September 1994, the Registrant issued 25,227.71 shares of Class H preferred stock, having an aggregate value of $2,522,700, and delivered a note for $2,480,000, payable, in part, by delivery of 14,880 shares of Class H preferred Stock, to Safe Way Disposal Systems, Inc. ("Safe Way") in connection with the Registrant's purchase of certain of Safe Way's assets.

In October 1994, the Registrant sold 25,225 shares of Class I preferred stock for $2,522,500 to 26 investors, including Jack W. Schuler, Peter Vardy and Mark C. Miller, directors of the Registrant (and in Mr. Miller's case, its President and Chief Executive Officer).

In July 1994, the Registrant issued 532 shares of common stock pursuant to the exercise of an option granted to a consultant for services rendered to the Registrant.

In July 1994, the Registrant issued 673 shares of common stock to a consultant who rendered services to the Registrant.

In August 1994, the Registrant sold 604.5 shares of Class F preferred stock for $60,450, and 4,650 shares of common stock for $6,045, to 15 of its employees.

In July 1995, the Registrant issued warrants to purchase 1,170,926 shares of Class A common stock, at an exercise price of $0.299 per share, to members of a group of lenders, including Jack W. Schuler, John Patience and Peter Vardy, directors of the Registrant. In May 1996, Mr. Patience exercised his warrant and acquired 133,088 shares of Class A common stock and Mr. Vardy exercised his warrant and acquired 180,814 shares of Class A common stock.

In September 1995, the Registrant issued 22,000 shares of common stock in connection with an agreement to settle a dispute with a consultant.

In November 1995, the Registrant issued 505 shares of Class A common stock to a vendor for services rendered to the Registrant.

In November 1995, the Registrant issued 1,211.5 shares of Class A common stock to a consultant for services rendered to the Registrant.

In December 1995, the Registrant sold 35,750 shares of Class A common stock for $14,300 to seven employees.

In January 1996, the Registrant sold 160,500 shares of Class A common stock for $64,200 to 11 of its employees.

In May 1966, the Registrant issued 102,400 shares of Class A common stock to certain consultants, including Peter Vardy, a director of the Company, pursuant to the exercise of options exercisable at a price of $0.40 per share.

In May 1996, the Registrant issued 2,239,435 shares of Class B common stock to Mark C. Miller, the Registrant's President and Chief Executive Officer, pursuant to the exercise of an option exercisable at a price of $0.10 per share.

In May 1996, the Registrant issued 18,900 shares of Class B common stock to Peter Vardy, a director of the Registrant, pursuant to the exercise of an option exercisable at a price of $0.10 per share.

In June 1996, the Registrant issued warrants to purchase 1,200,000 shares of Class A common stock, at an exercise price of $1.50 per share, to members of a group of lenders, including Jack W. Schuler, John Patience and Peter Vardy, directors of the Registrant, and Mark C. Miller and James F. Polark, the Registrant's President and Chief Executive Officer and its Vice President, Finance and Chief Financial Officer, respectively.

The sales of these securities were considered to be exempt from registration under the Securities Act of 1933, as amended, in reliance on Section 4(2), or Regulation D thereunder, as transactions by an issuer not involving a public offering. The recipients of these securities represented their intention to acquire the securities for investment purposes only and not with a view to or for sale in connection with any further distribution, and appropriate legends were affixed to the stock certificates and instruments issued to the recipients.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of the Registrant, as currently in effect.
3.5	By-Laws of the Registrant, as currently in effect.
4.1*	Specimen Common Stock Certificate.
4.2	Form of Common Stock Purchase Warrant in connection with July 1995 line of credit.
4.3*	Form of Common Stock Purchase Warrant in connection with May 1996 short-term loan.
4.4	Amended and Restated Registration Agreement dated October 19, 1994 between the Registrant and certain of its stockholders, and related First Amendment dated September 30, 1995.
5.1*	Opinion of Johnson and Colmar.
10.1*	Incentive Compensation Plan and form of employee stock agreement.
10.2*	Directors Stock Option Plan
10.3*	Loan and Security Agreement dated October 31, 1995 between the Registrant and Silicon Valley Bank, and related Amendments dated March 12, 1996 and June 4, 1996.
10.4*	Guaranty Agreement dated June 1, 1992 among the Registrant, Fleet National Bank, as Trustee, and Rhode Island Industrial-Recreational Building Authority, and related Regulatory Agreement dated June 1, 1992 between the Registrant and the Rhode Island Industrial-Recreational Building Authority.
10.5*+	Radio-Frequency Heating Technology License Agreement dated November 10, 1995 between the Registrant and IIT Research Institute.
10.6*+	Alliance Agreement dated October 12, 1993 between the Registrant and Baxter Healthcare Corporation.
10.7*+	Agreement dated May 6, 1994 between the Registrant and SAGE Products, Inc., and related letter agreement dated November 7, 1995.

EXHIBIT NO.	DESCRIPTION
10.8	Office Lease dated December 26, 1991 between the Registrant and American National Bank and Trust Company of Chicago, as Trustee under Trust No. 57661, relating to the Registrant's Deerfield, Illinois office space.
10.9*	Standard Form Industrial Lease dated October 1, 1991 between the Registrant and General American Life Insurance Registrant, relating to the Registrant's Loma Linda, California treatment facility.
10.10	Lease dated June 1, 1992 between the Registrant and Rhode Island Industrial Facilities Corporation, relating to the Registrant's Woonsocket, Rhode Island treatment facility.
10.11*	Lease dated February 25, 1992 between the Registrant and EML Associates, relating to the Registrant's San Leandro, California transfer station.
10.12*	Master Lease Agreement dated February 11, 1994 between the Registrant and Ziegler Leasing Corporation, relating to the machinery and equipment at the Registrant's Yorkville, Wisconsin treatment facility
10.13*	Master Lease Agreement dated March 14, 1991 between the Registrant and LINC Venture Lease Partners II, L.P., and related Equipment Schedule dated January 1, 1996, relating to the machinery and equipment at the Registrant's West Memphis, Arkansas recycling and research development facility, its San Leandro, California transfer station, and its Morton, Washington treatment facility.
10.14	State of Rhode Island and Providence Plantations Consent Agreement dated August 22, 1995 between the Registrant and the Rhode Island Department of Environmental Management.
21.1	Subsidiaries.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Johnson and Colmar (filed as part of Exhibit 5.1).
24.1	Power of Attorney (included under the caption "Power of Attorney" on page II-5).

- ------------------------
* To be filed by amendment.
+ Confidential treatment requested.

ITEM 17. UNDERTAKINGS

The Registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

The Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time that it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions described in Item 14, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for

indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Village of Deerfield, State of Illinois, on June 11, 1996.

STERICYCLE, INC.

By: /s/ MARK C. MILLER
Mark C. Miller
PRESIDENT AND CHIEF EXECUTIVE OFFICER

POWER OF ATTORNEY

Each person whose signature appears below who is then an officer or director of the Registrant authorizes Mark C. Miller and James F. Polark, or either of them, with full power of substitution and resubstitution, to sign in his or her name and to file any amendments to this Registration Statement (including post-effective amendments), and all related documents necessary or advisable to enable the registrant to comply with the Securities Act of 1933 in connection with the registration of the securities which are the subject of this Registration Statement, which amendments may make such changes in this Registration Statement (as it may be so amended) as Mark C. Miller and James F. Polark, or either of them, may deem appropriate, and to do and perform all other related acts and things necessary to be done.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

NAME	TITLE	DATE
/s/ JACK W. SCHULER Jack W. Schuler	Chairman of the Board of Directors	June 11, 1996
/s/ MARK C. MILLER Mark C. Miller	President, Chief Executive Officer and a Director (Principal Executive Officer)	June 11, 1996
/s/ JAMES F. POLARK James F. Polark	Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	June 11, 1996
/s/ PATRICK F. GRAHAM Patrick F. Graham	Director	June 11, 1996
/s/ JOHN PATIENCE John Patience	Director	June 11, 1996

NAME	TITLE	DATE
/s/ LLOYD D. RUTH Lloyd D. Ruth	Director	June 11, 1996
/s/ L. JOHN WILKERSON, PH.D. L. John Wilkerson, Ph.D.	Director	June 11, 1996
/s/ PETER VARDY Peter Vardy	Director	June 11, 1996

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Incorporation of the Registrant, as currently in effect.
3.5	By-Laws of the Registrant, as currently in effect.
4.1*	Specimen Common Stock Certificate.
4.2	Form of Common Stock Purchase Warrant in connection with July 1995 line of credit.
4.3*	Form of Common Stock Purchase Warrant in connection with May 1996 short-term loan.
4.4	Amended and Restated Registration Agreement dated October 19, 1994 between the Registrant and certain of its stockholders, and related First Amendment dated September 30, 1995.
5.1*	Opinion of Johnson and Colmar.
10.1*	Incentive Compensation Plan and form of employee stock agreement.
10.2*	Directors Stock Option Plan
10.3*	Loan and Security Agreement dated October 31, 1995 between the Registrant and Silicon Valley Bank, and related Amendments dated March 12, 1996 and June 4, 1996.
10.4*	Guaranty Agreement dated June 1, 1992 among the Registrant, Fleet National Bank, as Trustee, and Rhode Island Industrial-Recreational Building Authority, and related Regulatory Agreement dated June 1, 1992 between the Registrant and the Rhode Island Industrial-Recreational Building Authority.
10.5*+	Radio-Frequency Heating Technology License Agreement dated November 10, 1995 between the Registrant and IIT Research Institute.
10.6*+	Alliance Agreement dated October 12, 1993 between the Registrant and Baxter Healthcare Corporation.
10.7*+	Agreement dated May 6, 1994 between the Registrant and SAGE Products, Inc., and related letter agreement dated November 7, 1995.
10.8	Office Lease dated December 26, 1991 between the Registrant and American National Bank and Trust Company of Chicago, as Trustee under Trust No. 57661, relating to the Registrant's Deerfield, Illinois office space.
10.9*	Standard Form Industrial Lease dated October 1, 1991 between the Registrant and General American Life Insurance Registrant, relating to the Registrant's Loma Linda, California treatment facility.
10.10	Lease dated June 1, 1992 between the Registrant and Rhode Island Industrial Facilities Corporation, relating to the Registrant's Woonsocket, Rhode Island treatment facility.
10.11*	Lease dated February 25, 1992 between the Registrant and EML Associates, relating to the Registrant's San Leandro, California transfer station.
10.12*	Master Lease Agreement dated February 11, 1994 between the Registrant and Ziegler Leasing Corporation, relating to the machinery and equipment at the Registrant's Yorkville, Wisconsin treatment facility
10.13*	Master Lease Agreement dated March 14, 1991 between the Registrant and LINC Venture Lease Partners II, L.P., and related Equipment Schedule dated January 1, 1996, relating to the machinery and equipment at the Registrant's West Memphis, Arkansas recycling and research development facility, its San Leandro, California transfer station, and its Morton, Washington treatment facility.
10.14	State of Rhode Island and Providence Plantations Consent Agreement dated August 22, 1995 between the Registrant and the Rhode Island Department of Environmental Management.
21.1	Subsidiaries.

EXHIBIT NO.	DESCRIPTION
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Johnson and Colmar (filed as part of Exhibit 5.1).
24.1	Power of Attorney (included under the caption "Power of Attorney" on page II-5).

- ------------------------
* To be filed by amendment.
+ Confidential treatment requested.

AMENDMENT TO EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

STERICYCLE, INC.

Article Fourth of the Corporation's Amended and Restated Certificate of Incorporation shall be amended to read as follows:

ARTICLE FOURTH

AUTHORIZED SHARES

4.1 DEFINITIONS. As used in this Article, the following terms have these meanings:

(a) APPROVED SALE means the sale of the Corporation (whether by (i) merger, (ii) consolidation, (iii) sale of all or substantially all of the Company's assets or (iv) sale of a majority of the Company's outstanding shares of Class A Common Stock, which is approved either by the Company's Board or Directors or by holders of a majority of the Company's issued and outstanding shares of Class A Common Stock.

(b) INCENTIVE COMPENSATION PLAN means the Incentive Compensation Plan which the Corporation adopted effective as of August 1, 1995 (subject to stockholder approval), as it may be amended.

(c) ORIGINAL PURCHASE PRICE means, in respect of a share of Class B Common Stock, the purchase price of the share which the first holder of the share paid to the Corporation.

(d) PERMITTED TRANSFEREE means, in respect of a holder of shares of Class B Common Stock, (i) a transferee pursuant to the applicable laws of descent and distribution upon the death of the holder, (ii) the holder's spouse, (iii) a lineal descendant of the holder (whether a natural descendant or a descendant by adoption), and (iv) a trust for the primary benefit of any one or more of the holder, the holder's spouse and the holder's lineal descendants.

(e) PUBLIC OFFERING means the sale of shares of Class A Common Stock in a firm commitment underwritten public offering registered under the Securities Act of 1933, as amended, in which the aggregate price paid by the public for the shares offered is at least $5,000,000.

4.2 AUTHORIZED SHARES. The Corporation shall have authority to issue a total of 57,000,000 shares, divided into two classes as follows:

CLASS OF STOCK	NUMBER AUTHORIZED
Class A Common Stock, par value $0.01 per share ("Class A Common Stock")	50,000,000
Class B Common Stock, par value $0.01 per share ("Class B Common Stock")	7,000,000

4.3 CLASS A AND CLASS B COMMON STOCK. The respective powers, preferences, rights, qualifications, limitations and restrictions and rights of the Class A and Class B Common Stock are as follows:

(a) ISSUANCE. Shares of Class B Common Stock may be issued only pursuant to (i) an award of restricted stock under the Incentive Compensation Plan or (ii) the exercise of a stock option granted under the Incentive Compensation Plan.

(b) DIVIDENDS. The Corporation, in the discretion of its Board of Directors, may declare and pay dividends to holders of Class A and Class B Common Stock, out of funds legally available for payment, subject to the following limitations:

(i) Except as provided in Sections 4.3(b)(ii) and (iii), no dividend shall be paid, or declared and set aside for payment, to holders of Class A Common Stock unless the same dividend is paid, or declared and set aside for payment, to holders of Class B Common Stock, and no dividend shall be paid, or declared and set aside for payment, to holders of Class B Common Stock unless the same dividend is paid, or declared and set aside for payment, to holders of Class A Common Stock.

(ii) No dividend payable in shares of Class A Common Stock shall be paid to holders of Class A Common Stock unless a dividend payable in the same number of shares of Class B Common Stock per share of Class B Common Stock is paid to holders of Class B Common Stock, and no dividend payable in shares of Class B Common Stock shall be paid to holders of Class B Common Stock unless a dividend payable in the same number of shares of Class A Common Stock per share of Class A Common Stock is paid to holders of Class A Common Stock.

(iii) No dividend payable in shares of Class B Common Stock (or in securities convertible into shares of Class B Common Stock) shall be paid to holders of Class A Common Stock, and no dividend payable in shares of Class A Common Stock (or in securities convertible into shares of Class A Common Stock) shall be paid to holders of Class B Common Stock.

(c) VOTING RIGHTS. Holders of Class A and Class B Common Stock shall be entitled to one vote per share on each matter submitted to a vote of the Corporation's stockholders.

(d) CONVERSION OF CLASS B COMMON STOCK. All of the issued and outstanding shares of Class B Common Stock shall be converted automatically into a like number of shares of Class A Common Stock at the time of and subject to the closing of a Public Offering or an Approved Sale. In this event:

(i) The rights of each holder of converted shares of Class B Common Stock shall cease in respect of the shares converted, and each such holder shall become the holder of record of the shares of Class A Common Stock to be issued by reason of the conversion.

(ii) Each certificate representing converted shares of Class B Common Stock shall be considered to represent the same number of shares of Class A Common Stock. Upon a holder's surrender to the Corporation of a certificate representing converted shares of Class B Common Stock (or evidence of the loss, theft or destruction of the certificate, together with a satisfactory indemnity and bond), the Corporation shall deliver to the holder a new certificate representing the number of shares of Class A Common Stock issuable by reason of the conversion. The shares of Class A Common Stock issued by reason of the conversion shall be fully paid and non-assessable.

(e) FIRST REFUSAL RIGHTS. If a holder of shares of Class B Common Stock proposes to sell or otherwise transfer any shares of shares of Class B Common Stock (other than to a Permitted Transferee), the holder shall first offer those shares for sale to the Corporation at least 45 days prior to the proposed sale or transfer. This offer shall be made as follows:

(i) The offer shall identify the prospective transferee and describe the terms of the proposed sale or transfer, and shall be accompanied by copies of all relevant sale or transfer documents.

(ii) The purchase price per share shall be the lower of (A) the share's Original Purchase Price or (B) the proposed price per share to be paid by the prospective transferee, and the terms of payment shall be the same as the terms of payment by the prospective transferee.

(iii) The Corporation may accept the holder's offer in respect of all or some of the shares offered for sale. The Corporation shall have 15 days from the date of receipt of the offer in which to accept the offer (in whole or in part) by giving written notice of acceptance to the holder.

(iv) If the Corporation accepts the holder's offer (in whole or in part), the

Corporation's notice of acceptance shall specify a date at least seven days and not more than 15 days after the date of acceptance on which the closing of the Corporation's purchase shall take place. The closing shall take place at the Corporation's principal office at 11:00 a.m. on the closing date specified in the Corporation's notice of acceptance.

(v) If the Corporation does not accept the holder's offer in respect of all of the shares offered for sale, the holder may sell or transfer the remaining shares to the prospective transferee identified in the holder's offer to the Corporation, but only (A) at a price and on terms no more favorable to the prospective transferee than the price and terms described in the holder's offer to the Corporation and (ii) only if the sale or transfer is completed no more than 60 days after the date of the holder's offer.

Any shares of Class B Common Stock sold or transferred pursuant to this Section 4.3(e) shall remain subject to its restrictions (I.E., the purchaser or transferee may not sell or transfer the shares acquired without first offering them for sale to the Corporation as provided in this Section 4.3(e).

(f) OTHERWISE IDENTICAL. Except as provided in Sections 4.3(b), (d) and (e), and except as voting by classes is required by the Delaware General Corporation Law, shares of Class A and Class B Common Stock shall be identical in all respects.

4.4 REGISTRATION OF TRANSFER. The Corporation shall maintain a register at its principal office (or any other place that the Corporation reasonably designates) for the registration of shares of Class A and Class B Common Stock. Upon surrender at the register of a certificate representing shares of Class A or Class B Common Stock, the Corporation shall, at the request of the registered holder of the surrendered certificate, issue in exchange at the Corporation's expense a new certificate or certificates representing in the aggregate the number of shares of Class A or Class B Common Stock represented by the surrendered certificate, and the Corporation shall cancel the surrendered certificate. Each new certificate shall be registered in the name or names and shall represent the number of shares that the registered holder of the surrendered certificate requests and shall be substantially identical in form to the surrendered certificate.

4.5 REPLACEMENT. Upon receipt from the registered holder of evidence reasonably satisfactory to the Corporation (for example, an affidavit from the registered holder) of the loss, theft or destruction or mutilation of any certificate representing one or more shares of Class A or Class B Common Stock, and in the case of loss, theft or destruction, upon receipt of an indemnity and bond reasonably satisfactory to the Corporation (with the exception that no bond shall be required if the registered holder is an institutional investor), or in the case of mutilation, upon surrender of the mutilated certificate, the Corporation shall at its expense issue to the registered holder a new certificate of like kind representing the number of shares of Class A or Class B Common Stock represented by the lost, stolen, destroyed or mutilated certificate and dated the same date as that certificate.

STATE OF DELAWARE
SECRETARY OF STATE
DIVISION OF CORPORATIONS
FILED 02:30 PM 09/27/1994
944183070 - 2191014

CERTIFICATE OF RESTATED CERTIFICATE OF INCORPORATION OF STERICYCLE, INC.

Mark C. Miller and James F. Polark, being the duly elected President and Secretary, respectively, of Stericycle, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"), do hereby certify as follows:

1. That the Corporation filed its original Certificate of Incorporation with the Delaware Secretary of State on March 21, 1989 (the "Certificate").

2. That the board of directors of the Corporation, pursuant to unanimous written consent, adopted resolutions authorizing the Corporation to amend, integrate and restate the Corporation's Certificate in its entirety to read as set forth in Exhibit A attached hereto and made a part hereof (the "Restated Certificate").

3. That the majority stockholders of the Corporation entitled to vote thereon, pursuant to written consent, approved and adopted the Restated Certificate in accordance with Sections 228, 242, and 245 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, the undersigned, being the President and Secretary hereinabove named, for the purpose of amending and restating the Certificate of Incorporation of the Corporation pursuant to the General Corporation Law of the State of Delaware, under penalties of perjury do each hereby declare and certify that this is the act and deed of the Corporation and the facts stated herein are true, and accordingly have hereunto signed this Certificate of Restated Certificate of Incorporation this 22nd day of September, 1994.

By: /s/ Mark C. Miller

Mark C. Miller, President

ATTEST:

By: /s/ James F. Polark

James F. Polark, Secretary

EXHIBIT A

AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

OF

STERICYCLE, INC.

ARTICLE FIRST

The name of the Corporation is Stericycle, Inc.

ARTICLE SECOND

The address of the Corporation's registered office in the State of Delaware is 32 Loockerman Square, Suite L-100, in the City of Dover, County of Kent 19901. The name of its registered agent at such address is The Prentice-Hall Corporation System, Inc.

ARTICLE THIRD

The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

ARTICLE FOURTH

SECTION 1. CAPITAL STOCK.

The total number of shares of stock which the Corporation has authority to issue is 9,950,200 consisting of:

(A) 68,550 shares of Class A Preferred Stock, par value $0.01 per share (the "Class A Preferred");

(B) 22,150 shares of Class B Preferred Stock, par value $0.01 per share (the "Class B Preferred");

(C) 102,500 shares of Class C Preferred Stock, par value $0.01 per share (the "Class C Preferred");

(D) 170,000 shares of Class D Preferred Stock, par value $0.01 per share (the "Class D Preferred");

(E) 70,000 shares of Class E Preferred Stock, par value $0.01 per share (the "Class E Preferred");

(F) 15,000 shares of Class F Preferred Stock, par value $0.01 per share (the "Class F Preferred");

(G) 5,000 shares of Class G Preferred Stock, par value $0.01 per share (the "Class G Preferred");

(H) 62,000 shares of Class H Preferred Stock, par value $0.01 per share (the "Class H Preferred");

(I) 35,000 shares of Class I Preferred Stock, par value $0.01 per share (the "Class I Preferred"); and

(J) 9,400,000 shares of Common Stock, par value $0.01 per share.

The Class A Preferred, the Class B Preferred, the Class C Preferred, the Class D Preferred, the Class E Preferred, the Class F Preferred, the Class G Preferred, the Class H Preferred, and the Class I Preferred are collectively referred to herein as the "Preferred Stock." Capitalized terms used and not otherwise defined herein are defined in Part 10 below.

SECTION 2. POWERS, PREFERENCES AND SPECIAL RIGHTS OF THE PREFERRED STOCK.

Part 1. DIVIDENDS.

1A. GENERAL OBLIGATION. When and as declared by the Corporation's board of directors and to the extent permitted under the General Corporation Law of the State of Delaware, the Corporation will pay preferential cumulative dividends to the holders of the Preferred Stock as provided in this Part 1. Except as otherwise provided herein, dividends on each share of Preferred Stock will cumulate on a daily basis at the rate of 10% per annum of the Liquidation Value thereof plus accumulated and unpaid dividends thereon from and including the date of issuance of such share of Preferred Stock to and including the earlier of (i) the date on which the Liquidation Value of such share of Preferred Stock plus any accumulated and unpaid dividends thereon is paid upon any liquidation, dissolution or winding up of the Corporation, (ii) the date on which such share of Preferred Stock is converted into Common Stock or (iii) the date on which such share of Preferred Stock is redeemed in accordance with Part 3 hereof. Such dividends will accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the Corporation legally available for the payment of dividends. The date on which the Corporation initially issues any share of Preferred Stock will be deemed to be the "date of issuance" thereof regardless of the number of times transfer of such share of Preferred Stock is made on the stock records maintained by or for the Corporation and regardless of the number of certificates which may be issued to evidence such share of Preferred Stock.

1B. DISTRIBUTION OF PARTIAL DIVIDEND PAYMENTS. If at any time the Corporation pays less than the total amount of dividends then accumulated with respect to the Preferred Stock, such payment will be distributed ratably among the holders of the Preferred Stock on the basis of the number of shares of Preferred Stock owned by each such holder.

1C. PREFERENCE. The Corporation shall not, without the prior written consent of the holders of at least 66 2/3% of the shares of Preferred Stock then outstanding, pay or declare any dividend or distribution on any Junior Securities at any time when accumulated dividends on the Preferred Stock have not been paid in full or any optional redemption pursuant to paragraph 3A has been requested. In the event that the Corporation declares a dividend or distribution on the Common Stock in accordance with the provisions of this paragraph 1C, the holders of the Preferred Stock and the holders of the Common Stock shall share pro rata (based, in the case of holders of Preferred Stock, on the number of shares of Common Stock which each holder of Preferred Stock would be entitled to receive upon conversion of its Preferred Stock into Common Stock) in such dividend or distribution.

Part 2. LIQUIDATION.

Upon any liquidation, dissolution or winding up of the Corporation, each holder of Preferred Stock will be entitled to be paid, before any distribution or payment is made upon any Junior Securities, an amount in cash equal to the aggregate Liquidation Value of all of such holder's shares of Preferred Stock plus all accumulated and unpaid dividends thereon, and such holder will not be entitled to any further payment in respect of its shares of Preferred Stock. If upon any such liquidation, dissolution or winding up of the Corporation, the Corporation's assets available for distribution to its stockholders are insufficient to permit payment to the holders of the Preferred Stock of the aggregate Liquidation Value of the Preferred Stock plus all accumulated but unpaid dividends thereon, then the entire assets available for distribution will be distributed among the holders of the Preferred Stock pro rata based upon the amount of each such holder's aggregate investment in the Preferred Stock plus all accrued and unpaid dividends thereon. If the Corporation's assets available for distribution to its stockholders upon any such liquidation, dissolution or winding up exceed the aggregate Liquidation Value of the Preferred Stock plus all accumulated but unpaid dividends thereon, then, after payment shall have been made to the holders of the Preferred Stock of the aggregate Liquidation Value of the Preferred Stock plus all accumulated but unpaid dividends thereon, the holders of the Common Stock (including, without limitation, any holders of Common Stock who acquired such stock upon conversion of Preferred Stock at any time prior to such liquidation, dissolution or winding up) shall share pro rata in all remaining assets of the Corporation available for distribution. The Corporation will mail written notice of any liquidation, dissolution or winding up to

each record holder of Preferred Stock not less than 30 days prior to the effective date thereof. For purposes of Parts 1 and 2, the consolidation or merger of the Corporation into or with any other corporation or corporations (other than a wholly-owned Subsidiary) in which the Corporation is not the surviving corporation and the sale or transfer by the Corporation of all or substantially all of its assets will be deemed to be a liquidation, dissolution or winding up of the Corporation.

Part 3. REDEMPTIONS.

3A. OPTIONAL REDEMPTION. Each holder of Preferred Stock may require the Corporation to redeem all or part of its Preferred Stock at any time on or after June 25, 1997 in accordance with this Part 3 and at a price per share of Preferred Stock equal to the Redemption Price (the "Redemption Right"). Any holder of Preferred Stock may exercise the Redemption Right by delivering to the Corporation a written notice (a "Redemption Notice") stating such holder's intention to exercise the Redemption Right and the number of such holder's shares of Preferred Stock to be redeemed. The Corporation shall be obligated to redeem the total number of shares of Preferred Stock specified in any Redemption Notice in a series of eight equal quarterly redemptions, such redemptions to occur on the last day of each calendar quarter commencing with the first calendar quarter ending at least 30 days following the Corporation's receipt of the Redemption Notice (each a "Redemption Date"). Within 5 days after receipt of a Redemption Notice from any holder of Preferred Stock, the Corporation shall notify all other holders of Preferred Stock that the Redemption Right has been exercised, and each other holder shall have the right, exercisable by written notice delivered to the Corporation within 10 days after receipt of such notice from the Corporation, to request that any or all of such other holder's shares of Preferred Stock be redeemed on the Redemption Dates together with the shares of Preferred Stock of the holder who delivered the Redemption Notice.

3B. REDEMPTION PRICE. For each share of Preferred Stock which is to be redeemed on any Redemption Date, the Corporation will be obligated to pay to the holder thereof (upon surrender by such holder at the Corporation's principal office of the certificate representing such share of Preferred Stock) an amount in immediately available funds (the "Redemption Price") equal to the Liquidation Value thereof plus all accumulated but unpaid dividends thereon. If the funds of the Corporation legally available for redemption of Preferred Stock on any Redemption Date are insufficient to redeem the total number of shares of Preferred Stock to be redeemed on such date, those funds which are legally available will be used to redeem the maximum possible number of shares of Preferred Stock ratably among the holders of such shares to be redeemed based upon the number of such shares held by each such holder. Thereafter, when additional funds of the Corporation are legally available for the redemption of Preferred Stock, such funds will be used to redeem ratably based on the number of shares

still to be redeemed the balance of the shares of Preferred Stock which the Corporation became obligated to redeem on such Redemption Date but which it has not redeemed (such redemptions to be made on a monthly basis).

3C. REISSUANCE OF CERTIFICATES. In case fewer than the total number of shares of Preferred Stock represented by any certificate are redeemed upon any exercise of the Redemption Right, a new certificate representing the number of unredeemed shares of such of Preferred Stock will be issued to the holder thereof without cost to such holder promptly after surrender of the certificate representing the redeemed shares of Preferred Stock.

3D. REDEEMED OR OTHERWISE ACQUIRED SHARES. Any shares of Preferred Stock which are redeemed or otherwise acquired by the Corporation will be cancelled and will not be reissued, sold or otherwise transferred; provided that the Corporation may reissue and sell any shares of Class B Preferred acquired pursuant to Paragraph 3E(iii) below.

3E. ACQUISITION OF SHARES. Except for (i) individual acquisitions of up to 150 shares of Preferred Stock from an employee of the Corporation in connection with the termination of such employee's employment, (ii) in connection with the exercise of the Special Redemption Rights or the Call Rights (each as defined in the Alliance Agreement dated October 12, 1993 between the Corporation and Baxter Healthcare Corporation) or (iii) the one-time repurchase in August 1994 of up to 162.75 shares of Class B Preferred from certain persons employed or formerly employed by the Corporation, the Corporation shall not redeem or otherwise acquire any shares of Preferred Stock unless it has offered to acquire or redeem shares of Preferred Stock from all holders thereof on or pursuant to identical terms and provisions on a pro rata basis.

Part 4. VOTING RIGHTS.

4A. VOTING RIGHTS. Except as otherwise provided in this Part 4 and as otherwise required by law, the holders of the Preferred Stock will be entitled to vote with the holders of the Common Stock on each matter submitted to a vote of the Corporation's stockholders. For purposes of any such vote, and for all other provisions hereunder requiring a specified vote or consent of holders of Preferred Stock, each share of Preferred Stock shall have a number of votes equal to the number of votes possessed by the number of shares of Common Stock into which such share of Preferred Stock is convertible as of the record date for the determination of stockholders entitled to vote on such matter. Notwithstanding the foregoing, the holders of the Preferred Stock shall not have the right to vote together with the holders of Common Stock for the election or removal of directors at any time when the holders of Preferred Stock have the right to elect directors pursuant to Paragraph 4B hereof.

4B. CLASS VOTING RIGHTS. In addition to the rights specified in Paragraph 4A hereof, so long as at least 232,517 shares of Preferred Stock are outstanding (as appropriately adjusted for any stock dividends payable in shares of Preferred Stock and any combinations, subdivisions and split-ups of the shares of Preferred Stock), the holders of the Preferred Stock will have the special right, voting separately as a single class (with each share of Preferred Stock having a number of votes equal to the number of votes possessed by the number of shares of Common Stock into which such share of Preferred Stock is convertible as of the record date for the determination of stockholders entitled to vote on such matter) and to the exclusion of all other classes of the Corporation's stock, to elect six of the members of the board of directors of the Corporation. The holders of Preferred Stock shall also have the special right, voting separately as a single class and to the exclusion of all other classes of the Corporation's stock, to remove any individuals elected to such directorships. The special right of the holders of Preferred Stock to elect and remove directors contained in this Paragraph 4B may be exercised either at a special meeting of the holders of Preferred Stock called as provided below, at any annual or special meeting of the stockholders of the Corporation, or by written consent of the holders of Preferred Stock in lieu of a meeting. The directors to be elected by the holders of the Preferred Stock pursuant to this Paragraph 4B shall serve for terms extending from the date of their election and qualification until the time of the next succeeding annual meeting of stockholders (unless sooner removed) and until their successors have been elected and qualified.

At any time when the holders of Preferred Stock have the special voting rights set forth in this Paragraph 4B, the Secretary of the Corporation shall, upon the written request of the holders of record of at least 10% of the shares of Preferred Stock then outstanding, call a special meeting of the holders of Preferred Stock for the purpose of electing or removing directors. Such meeting shall be held at the earliest practicable date at the Corporation's principal office or at such other place designated by the holders of at least 1[?]% of the shares of Preferred Stock then outstanding. If such meeting shall not be called by a proper officer of the Corporation within 10 days after personal service of said written request upon the secretary of the Corporation or within 20 days after mailing the same to the secretary of the Corporation at the Corporation's principal office, then the holders of record of at least 10% of the shares of Preferred Stock then outstanding may designate in writing one of their number to call such meeting at the expense of the Corporation, and such meeting may be called by such persons so designated upon the shortest legally permissible notice. Any holders of Preferred Stock so designated shall have access to the stock books of the Corporation for the purpose of calling a meeting of the stockholders pursuant to these provisions.

At any stockholders meeting at which the holders of Preferred Stock shall have the special right, voting separately as a single class, to elect or remove directors as provided in this Paragraph 4B, the presence, in person or by proxy, of the holders of record of a majority of the shares of Preferred Stock (with each share of Preferred Stock having a number of votes equal to the number of votes possessed by the number of shares of Common Stock into which such share of Preferred Stock is convertible as of the record date for the determination of stockholders entitled to vote on such matter) shall be required to constitute a quorum of the Preferred Stock for such election or removal. At any such meeting or adjournment thereof, the absence of such a quorum of the Preferred Stock shall not prevent the election of directors other than the directors to be elected by holders of the Preferred Stock pursuant to this Paragraph 4B, and in the absence of either or both such quorums, the holders of record of shares representing a majority of the voting power present in person or by proxy of the class or classes of stock which lack a quorum shall have power to adjourn the meeting for the election of directors which they are entitled to elect from time to time without notice other than announcement at the meeting. No meeting of stockholders may thereupon be reconvened unless any notice required hereunder, by the Corporation's bylaws or by applicable law is duly given or waived by the requisite number of stockholders.

A vacancy in the directorships to be elected by the holders of the Preferred Stock pursuant to this Paragraph 4B may be filled only by vote or written consent in lieu of a meeting of (i) the holders of a majority of the Preferred Stock (with each share of Preferred Stock having a number of votes equal to the number of votes possessed by the number of shares of Common Stock into which such share of Preferred Stock is convertible as of the record date for the determination of stockholders entitled to vote on such matter) acting separately as a single class and to the exclusion of all other classes of the Corporation's stock, or (ii) the remaining directors elected by the holders of the Preferred Stock (or by directors so elected).

The special voting right of the holders of Preferred Stock pursuant to this Paragraph 4B shall terminate at such time as less than 232,517 shares of Preferred Stock are outstanding (as appropriately adjusted for any stock dividends payable in shares of Preferred Stock and any combinations, subdivisions and split-ups of the shares of Preferred Stock).

Part 5. CONVERSION.

5A. CONVERSION PROCEDURE.

(i) At any time and from time to time, any holder of shares of Class A Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying

the number of shares of Class A Preferred to be converted times $100 per share and dividing the result by the Class A Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class B Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class B Preferred to be converted times $100 per share and dividing the result by the Class B Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class C Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class C Preferred to be converted times $100 per share and dividing the result by the Class C Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class D Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class D Preferred to be converted times $100 per share and dividing the result by the Class D Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class E Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class E Preferred to be converted times $100 per share and dividing the result by the Class E Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class F Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class F Preferred to be converted times $100 per share and dividing the result by the Class F Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class G Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class G Preferred to be converted times $100 per share and dividing the result by the Class G Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class H Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class H Preferred to be converted times $100 per share and dividing the result by the Class H Conversion Price (as defined in Paragraph 5B below). At any time and from time to time, any holder of shares of Class I Preferred may convert all or any portion of such shares (including any fraction of a share) into the number of shares of the Corporation's Common Stock computed by multiplying the number of shares of Class I Preferred to be converted times $100 per share

and dividing the result by the Class H Conversion Price (as defined in Paragraph 5B below).

(ii) Each conversion of Preferred Stock will be deemed to have been effected as of the close of business on the date on which the certificate or certificates representing the Preferred Stock to be converted have been surrendered at the principal office of the Corporation. At such time as such conversion has been effected, the rights of the holder of such Preferred Stock as such holder will cease and the Person or Persons in whose name or names any certificate or certificates for shares of Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of Common Stock represented thereby.

(iii) As soon as possible after a conversion has been effected and in no event later than ten (10) business days thereafter, the Corporation will deliver to the converting holder:

(a) a certificate or certificates representing the number of shares of Common Stock issuable by reason of such conversion in such name or names and such denomination or denominations as the converting holder has specified;

(b) the amount payable under Subparagraph 5A(vi) below with respect to such conversion; and

(c) a certificate representing any shares of Preferred Stock which were represented by the certificate or certificates delivered to the Corporation in connection with such conversion but which were not converted.

(iv) The issuance of certificates for shares of Common Stock upon conversion of Preferred Stock will be made without charge to the holders of such Preferred Stock for any issuance tax in respect thereof or other cost incurred by the Corporation in connection with such conversion and the related issuance of shares of Common Stock. Upon conversion of any share of Preferred Stock, the Corporation will take all such actions as are necessary in order to insure that the Common Stock issued as a result of such conversion is validly issued, fully paid and nonassessable.

(v) The Corporation will not close its books against the transfer of Preferred Stock or of Common Stock issued or issuable upon conversion of Preferred Stock in any manner which interferes with the timely conversion of Preferred Stock.

(vi) If any fractional interest in a share of Common Stock would, except for the provisions of this Subparagraph 5A(vi), be deliverable upon any conversion of the Preferred Stock, the Corporation, in lieu of delivering the fractional share therefor,

shall pay an amount to the holder thereof equal to the Market Price of such fractional interest as of the date of conversion.

(vii) Upon conversion of shares of Preferred Stock into Common Stock pursuant to this Paragraph 5A, the holder of such shares of Preferred Stock shall not be entitled to receive any accumulated but unpaid dividends on such shares.

5B. CONVERSION PRICE.

(i) The initial Class A Conversion Price will be $3.25. The initial Class B Conversion Price will be $3.50. The initial Class C Conversion Price will be $9.00. The initial Class D Conversion Price will be $11.00. The initial Class E Conversion Price will be $13.00. The initial Class F Conversion Price will be $13.00. The initial Class G Conversion Price will be $14.86. The initial Class H Conversion Price will be $13.00. The initial Class I Conversion Price will be $13.00. The Class A Conversion Price, the Class B Conversion Price, the Class C Conversion Price, the Class D Conversion Price, the Class E Conversion Price, the Class F Conversion Price, the Class G Conversion Price, the Class H Conversion Price and the Class I Conversion Price shall each be referred to herein as a Conversion Price. In order to prevent dilution of the conversion rights granted under this subdivision, the Class A Conversion Price, the Class B Conversion Price, the Class C Conversion Price, the Class D Conversion Price, the Class E Conversion Price, the Class F Conversion Price, the Class G Conversion Price, the Class H Conversion Price and the Class I Conversion Price will be subject to adjustment from time to time pursuant to this Part 5B; provided, however, that, notwithstanding anything to the contrary contained herein, there will be no adjustment of any Conversion Price as a result of (a) the issuance of shares of Common Stock upon the conversion of shares of the Class A Preferred, Class B Preferred, Class C Preferred, Class D Preferred, Class E Preferred, Class F Preferred, Class G Preferred, Class H Preferred or Class I Preferred or (b) issuances of Common Stock and Class B Preferred permitted pursuant to (1) clauses (a), (c) and (e) of the proviso in paragraph 4F( )(vii) of the Class C Preferred Stock Purchase Agreement entered into by the Company and certain investors in July 1991, as amended in June 1992 (the "Class C Purchase Agreement") as in effect prior to amendment of such agreement in October 1993 and (2) clauses (a), (c) and (e) of the proviso in paragraph 4F(1)(vii) of the Class C Purchase Agreement, as amended in October 1993 and March 16, 1994, in each case for incentive or compensatory purposes to directors, officers, employees, consultants and scientific advisors of the Corporation which are from time to time approved by the Corporation's board of directors (including, without limitation, grants of stock options and the issuance of Common Stock upon the exercise thereof).

(ii) If and whenever on or after the original date of issuance of the Class C Preferred, the Corporation issues or sells, or in accordance with Paragraph 5C is deemed to have issued or

sold, any shares of its Common Stock for a consideration per share less than any Conversion Price in effect immediately prior to the time of such issuance or sale, then immediately upon such issuance or sale such Conversion Price will be reduced to the conversion price determined by dividing (a) the sum of (1) the product derived by multiplying such Conversion Price in effect immediately prior to such issuance or sale times the number of shares of Underlying Common Stock outstanding immediately prior to such issuance or sale, plus (2) the consideration, if any, received by the Corporation upon such issuance or sale, by (b) the sum of (1) the number of shares of Underlying Common Stock outstanding immediately prior to such issuance or sale plus (2) the number of shares of Common Stock deemed to have been issued in such sale pursuant to this Part 5.

(iii) If and whenever on or after the original date of issuance of the Class C Preferred, the Corporation issues or sells, or in accordance with Paragraph 5C is deemed to have issued or sold, any shares of its Common Stock for a consideration per share less than the Market Price in effect immediately prior to the time of such issuance or sale, then immediately upon such issuance or sale such Conversion Price will be reduced to the conversion price determined by dividing (a) the sum of (1) the product derived by multiplying such Market Price in effect immediately prior to such issuance or sale times the number of shares of Underlying Common Stock outstanding immediately prior to such issuance or sale, plus (2) the consideration, if any, received by the Corporation upon such issuance or sale, by (b) the number of shares of Underlying Common Stock outstanding immediately prior to such issuance or sale plus the number of shares of Common Stock deemed to have been issued in such sale pursuant to this Part 5, and then multiplying such quotient by a fraction, the numerator of which is the Conversion Price and the denominator of which is the Market Price.

(iv) If such shares of Common Stock are issued at a price per share less than both the Conversion Price and the Market Price per share of Common Stock, the Conversion Price shall be adjusted in that manner which will result in the greatest decrease of the Conversion Price.

5C. EFFECT ON CONVERSION PRICES OF CERTAIN EVENTS. For purposes of determining the adjusted Conversion Prices under Subparagraph 5B, the following will be applicable:

(i) ISSUANCE OF RIGHTS OR OPTIONS. If the Corporation in any manner grants any rights or options to subscribe for or to purchase Common Stock (other than grants of stock options to directors, officers, employees, consultants and scientific advisors of the Corporation for incentive or compensatory purposes which are approved from time to time by the Corporation's board of directors) or any stock or other securities convertible into or exchangeable for Common Stock (such rights or options being herein called "Options" and such convertible or exchangeable stock or securities

being herein called "Convertible Securities") and the price per share for which Common Stock is issuable upon the exercise of such Options or upon conversion or exchange of such Convertible Securities is (i) less than any Conversion Price in effect immediately prior to the time of the granting of such Options, or (ii) is less than the Market Price of such Common Stock in effect immediately prior to the granting of such Options, then the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon conversion or exchange of the total maximum amount of such Convertible Securities issuable upon the exercise of such Options will be deemed to have been issued and sold by the Corporation for such price per share, as the case may be. For purposes of this paragraph, the "price per share for which Common Stock is issuable" will be determined by dividing (a) the total amount, if any, received or receivable by the Corporation as consideration for the granting of such Options, plus the minimum aggregate amount of additional consideration payable to the Corporation upon exercise of all such Options, plus in the case of such Options which relate to Convertible Securities, the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the issuance or sale of such Convertible Securities and the conversion or exchange thereof, by (b) the total maximum number of shares of Common Stock issuable upon the exercise of such Options or upon the conversion or exchange of all such Convertible Securities issuable upon the exercise of such Options. No further adjustment of such Conversion Price will be made when Convertible Securities are actually issued upon the exercise of such Options or when Common Stock is actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities (except as provided in Paragraphs 5C(iii) and (iv) below).

(ii) ISSUANCE OF CONVERTIBLE SECURITIES. If the Corporation in any manner issues or sells any Convertible Securities and the price per share for which Common Stock is issuable upon such conversion or exchange is (i) less than any Conversion Price in effect immediately prior to the time of such issue or sale, or (ii) is less than the Market Price of such Common Stock in effect immediately prior to such issue or sale, then the maximum number of shares of Common Stock issuable upon conversion or exchange of such Convertible Securities will be deemed to be outstanding and to have been issued and sold by the Corporation for such price per share, as the case may be. For the purposes of this paragraph, the "price per share for which Common Stock is issuable" will be determined by dividing (a) the total amount received or receivable by the Corporation as consideration for the issuance or sale of such Convertible Securities, plus the minimum aggregate amount of additional consideration, if any, payable to the Corporation upon the conversion or exchange thereof, by (b) the total maximum number of shares of Common Stock issuable upon the conversion or exchange of all such Convertible Securities. No further adjustment of such Conversion Price will be made when Common Stock is actually issued upon the conversion or exchange of

such Convertible Securities, and if any such issuance or sale of such Convertible Securities is made upon exercise of any Options for which adjustments of such Conversion Price had been or are to be made pursuant to other provisions of this Part 5, no further adjustment of such Conversion Price will be made by reason of such issuance or sale.

(iii) CHANGE IN OPTION PRICE OR CONVERSION RATE. If the purchase price provided for in any Options, the additional consideration, if any, payable upon the conversion or exchange of any Convertible Securities, or the rate at which any Convertible Securities are convertible into or exchangeable for Common Stock change at any time, any Conversion Price in effect at the time of such change will be readjusted, if necessary, to the Conversion Price which would have been in effect at such time had such Options or Convertible Securities still outstanding provided for such changed purchase price, additional consideration or changed conversion rate, as the case may be, at the time initially granted, issued or sold; provided that if such adjustment would result in an increase of any Conversion Price then in effect, such adjustment will not be effective until 10 days after written notice thereof has been delivered by the Corporation to all holders of the Preferred Stock.

(iv) TREATMENT OF EXPIRED OPTIONS AND UNEXERCISED CONVERTIBLE SECURITIES. Upon the expiration of any Option or the termination of any right to convert or exchange any Convertible Security without the exercise of any such Option or right, any Conversion Price then in effect hereunder will be adjusted to the Conversion Price which would have been in effect at the time of such expiration or termination had such Option or Convertible Security, to the extent outstanding immediately prior to such expiration or termination, never been issued.

(v) CALCULATION OF CONSIDERATION RECEIVED. If any Common Stock, Option or Convertible Security is issued or sold or deemed to have been issued or sold for cash, the consideration received therefor will be deemed to be the gross amount received by the Corporation therefor. In case any Common Stock, Options or Convertible Securities are issued or sold for a consideration other than cash, the amount of the consideration other than cash received by the Corporation will be the fair value of such consideration, except where such consideration consists of securities, in which case the amount of consideration received by the Corporation will be the Market Price thereof as of the date of receipt. If any Common Stock, Option or Convertible Security is issued in connection with any merger in which the Corporation is the surviving corporation, the amount of consideration therefor will be deemed to be the fair value of such portion of the net assets and business of the non-surviving corporation as is attributable to such Common Stock, Options or Convertible Securities, as the case may be. The fair value of any consideration other than cash and securities will be determined jointly by the Corporation and the

holders of a majority of the outstanding Preferred Stock. If such parties are unable to reach agreement within 10 days after the occurrence of an event requiring valuation (the "Valuation Event"), the fair value of such consideration will be determined by an independent appraiser jointly selected by the Corporation and the holders of a majority of the outstanding Preferred Stock; provided, that, if such parties are unable to reach agreement upon the selection of an independent appraiser within 15 days after the Valuation Event, within 25 days after the Valuation Event, the Corporation and the holders of a majority of the Preferred Stock then outstanding will each choose a qualified independent appraiser reasonably acceptable to the other party and each such appraiser will deliver as soon as practicable in writing its determination of the fair value of such consideration. If the difference between the two appraisals is 10% or less of the lower amount, the fair value will be the average of such two appraisals. If the difference between the two appraisals is greater than 10% of the lower amount, the two appraisers will, within 35 days after the Valuation Event, jointly choose a third qualified independent appraiser. Within 45 days after the Valuation Event, the third appraiser will deliver its determination of fair value and the final determination of the fair value of such consideration will be equal to the average of the two appraisals which are nearest to each other. The expenses of the appraisers will be paid one-half by the Corporation and one-half by the holders of the Preferred Stock (pro rata based on the number of shares of Preferred Stock held).

(vi) INTEGRATED TRANSACTIONS. In case any Option is issued in connection with the issue or sale of other securities of the Corporation, together comprising one integrated transaction in which no specific consideration is allocated to such Option by the parties thereto, the Option will be deemed to have been issued for a consideration of $.01.

(vii) TREASURY SHARES. The number of shares of Common Stock outstanding at any given time does not include shares owned or held by or for the account of the Corporation or any Subsidiary, and the disposition of any shares so owned or held will be considered an issue or sale of Common Stock.

(viii) RECORD DATE. If the Corporation takes a record of the holders of Common Stock for the purpose of entitling them (a) to receive a dividend or other distribution payable in Common Stock, Options or Convertible Securities or (b) to subscribe for or purchase Common Stock, Options or Convertible Securities, then such record date will be deemed to be the date of the issue or sale of the shares of Common Stock deemed to have been issued or sold upon the declaration of such dividend or upon the making of such other distribution or the date of the granting of such right of subscription or purchase, as the case may be.

5D. SUBDIVISION OR COMBINATION OF COMMON STOCK. If the Corporation at any time subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, each Conversion Price in effect immediately prior to such subdivision will be proportionately reduced, and if the Corporation at any time combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, each Conversion Price in effect immediately prior to such combination will be proportionately increased.

5E. REORGANIZATION, RECLASSIFICATION, CONSOLIDATION, MERGER OR SALE. Any capital reorganization, reclassification, consolidation, merger or sale of all or substantially all of the Corporation's assets to another Person which is effected in such a way that holders of Common Stock are entitled to receive (either directly or upon subsequent liquidation) stock, securities or assets with respect to or in exchange for Common Stock is referred to herein as an Organic Change. Prior to the consummation of any Organic Change, the Corporation will make appropriate provisions (in form and substance reasonably satisfactory to the holders of a majority of the Preferred Stock then outstanding) to insure that each of the holders of Preferred Stock will thereafter have the right to acquire and receive, in lieu of or (if additional consideration is received) in addition to the shares of Common Stock immediately theretofore acquirable and receivable upon the conversion of such holder's Preferred Stock, such shares of stock, securities or assets as such holder would have received in connection with such Organic Change if such holder had converted its Preferred Stock immediately prior to such Organic Change. In any such case, the Corporation will make appropriate provisions (in form and substance satisfactory to the holders of a majority of the Preferred Stock then outstanding) to insure that the provisions of this Part 5 and Parts 6 and 7 will thereafter be applicable to the Preferred Stock (including, without limitation, in the case of any such consolidation, merger or sale in which the successor corporation or purchasing corporation is other than the Corporation, an immediate adjustment of each Conversion Price to the value for the Common Stock reflected by the terms of such consolidation, merger or sale, if the value so reflected is less than such Conversion Price in effect immediately prior to such consolidation, merger or sale). The Corporation will not effect any such consolidation, merger or sale, unless prior to the consummation thereof, the successor corporation (if other than the Corporation) resulting from such consolidation or merger or the corporation purchasing such assets assumes by written instrument (in form and substance reasonably satisfactory to the holders of a majority of the Preferred Stock then outstanding), the obligation to deliver to each such holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, such holder may be entitled to acquire.

5F. CERTAIN EVENTS. If any event occurs of the type contemplated by the provisions of this Part 5 but not expressly provided for by such provisions, then the Corporation's board of directors will make an appropriate adjustment in each Conversion Price so as to protect the rights of the holders of the Preferred Stock; provided, however, that no such adjustment will increase any Conversion Price as otherwise determined pursuant to this Part 5 or decrease the number of shares of Common Stock issuable upon conversion of each share of Preferred Stock.

5G. NOTICES.

(i) Immediately upon any adjustment of the Conversion Price of any class of Preferred Sock, the Corporation will give written notice thereof to all holders of such class of Preferred Stock.

(ii) The Corporation will give written notice to all holders of Preferred Stock at least twenty (20) days prior to the date on which the Corporation closes its books or takes a record (a) with respect to any dividend or distribution upon Common Stock, (b) with respect to any pro rata subscription offer to holders of Common Stock or (c) for determining rights to vote with respect to any Organic Change, dissolution or liquidation.

(iii) The Corporation will also give written notice to the holders of Preferred Stock at least twenty (20) days prior to the date on which any Organic Change will take place.

5H. MANDATORY CONVERSION.

(i) The Corporation may require the conversion of all of the outstanding Preferred Stock upon the closing of a firm commitment underwritten Public Offering of shares of the Corporation's Common Stock in which (i) the aggregate price paid by the public for such shares will be at least $10,000,000 and (ii) the price per share paid by the public for such shares will be at least $11.00 (based on the Common Stock as constituted on the date of filing of this Amendment and appropriately adjusted for any stock dividend or stock split or in connection with any combination of shares, recapitalization, merger, consolidation or other reorganization). Any such mandatory conversion shall only be effected at the time of and subject to the closing of the sale of such shares pursuant to such Public Offering and upon written notice of such mandatory conversion delivered to all holders of Preferred Stock at least 20 but not more than 40 days prior to such closing.

(ii) Notwithstanding the foregoing provisions of this Part 5H, no mandatory conversion of the Preferred Stock shall be effected unless and until such conversion will not violate any laws, rules, regulations, orders or other legal requirements of any governing body (such as, without limitation, compliance with the

Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended) and such conversion shall be held in abeyance pending compliance with any such requirements, provided that the holders of the Preferred Stock shall use their best efforts to comply with such requirements.

Part 6. LIQUIDATING DIVIDENDS.

If the Corporation declares or pays a dividend upon the Common Stock payable otherwise than in cash out of earnings or earned surplus (determined in accordance with generally accepted accounting principles, consistently applied) except for a stock dividend payable in shares of Common Stock or a stock split (a "Liquidating Dividend"), then the Corporation shall pay to the holders of Preferred Stock at the time of payment thereof the Liquidating Dividends which would have been paid on the Common Stock had such Preferred Stock been converted into Common Stock immediately prior to the date on which a record is taken for such Liquidating Dividend, or, if no record is taken, the date as of which the record holders of Common Stock entitled to such dividends are to be determined.

Part 7. PURCHASE RIGHTS.

If at any time the Corporation grants, issues or sells any Options, Convertible Securities or rights to purchase stock, warrants, securities or other property to the record holders of any class of Common Stock (the "Purchase Rights"), then each holder of Preferred Stock will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which such holder could have acquired if such holder had held the number of shares of Common Stock acquirable upon conversion of such holder's Preferred Stock immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (the "Preferred Preemptive Rights"). Notwithstanding the foregoing, no holder of Preferred Stock shall be entitled to the Preferred Preemptive Rights described in the preceding sentence if the Purchase Rights granted, issued or sold by the Corporation were granted, issued or sold to employees of the Corporation or issued in connection with an employee stock option plan approved by the board of directors.

Part 8. REGISTRATION OF TRANSFER.

The Corporation will keep at its principal office a register for the registration of the Preferred Stock. Upon the surrender of any certificate representing Preferred Stock at such place, the Corporation will, at the request of the record holder of such certificate, execute and deliver (at the Corporation's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of Preferred

Stock represented by the surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares of Preferred Stock as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate; provided, however, that any transfer shall be subject to any applicable restrictions on the transfer of such shares and the payment of any applicable transfer taxes, if any, by the holder thereof.

Part 9. REPLACEMENT.

Upon receipt of evidence reasonably satisfactory to the Corporation (an affidavit of the registered holder will be satisfactory) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing shares of Preferred Stock, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is an institutional investor its own agreement will be satisfactory), or, in the case of any such mutilization, upon surrender of such certificate, the Corporation will (at its expense) execute and deliver in lieu of such certificate a new certificate of like kind representing the number of shares of Preferred Stock represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

Part 10. DEFINITIONS.

"COMMON STOCK" means the Corporation's Common Stock, par value $0.01 per share, and any capital stock of any class of the Corporation hereafter authorized which is not limited to a fixed sum or percentage of par or stated value in respect to the rights of the holders thereof to participate in dividends or in the distribution of assets upon any liquidation, dissolution or winding up of the Corporation.

"JUNIOR SECURITIES" means any of the Corporation's equity securities other than the Preferred Stock.

"LIQUIDATION VALUE" of any share of Preferred Stock as of any particular date will be equal to $100.

"MARKET PRICE" of any security means the average of the closing prices of such security's sales on all securities exchanges on which such security may at the time be listed, or, if there has been no sales on any such exchange on any day, the average of the highest bid and lowest asked prices on all such exchanges at the end of such day, or, if on any day such security is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 P.M., New York time, or, if on any day such security is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on such day in the domestic over-the-counter market as reported by the National Quotation

Bureau, Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the day as of which "Market Price" is being determined and the 20 consecutive business days prior to such day. If at any time such security is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the "Market Price" will be the fair value thereof determined jointly by the Corporation and the holders of a majority of the Preferred Stock. If such parties are unable to reach agreement within a reasonable period of time, such fair value will be determined by an independent appraiser jointly selected by the Corporation and the holders of a majority of the Preferred Stock.

"PERSON" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization or a governmental entity or any department, agency or political subdivision thereof.

"PUBLIC OFFERING" means any offering by the Corporation of its equity securities to the public pursuant to an effective registration statement (other than a registration statement on Form S-8) under the Securities Act of 1933, as then in effect, or any comparable statement under any similar federal statute then in force; provided that a Public Offering will not include an offering made in connection with a business acquisition.

"SUBSIDIARY" means any corporation of which the shares of stock having a majority of the general voting power in electing the board of directors are, at the time of which any determination is being made, owned by the Corporation either directly or indirectly through Subsidiaries.

"UNDERLYING COMMON STOCK" means (i) the Common Stock issued or issuable upon conversion of the Preferred stock and (ii) any Common Stock issued or issuable with respect to the Common Stock referred to in clause (i) above by way of stock dividend or stock split or in connection with a combination or other reorganization. For purposes of determining the number of shares of Underlying Common Stock outstanding hereunder, all of the capital stock referred to in clauses (i) and (ii) above shall be deemed to be outstanding.

Part 11. AMENDMENT AND WAVIER.

No amendment, modification or waiver will be binding or effective with respect to any provision of this Section 2 without the prior written consent of the holders of at least 66 2/3% of the shares of Preferred Stock outstanding at the time such action is taken. No change in the terms hereof may be accomplished by merger or consolidation of the Corporation with another corporation unless the Corporation has obtained the prior affirmative vote or written consent of the holders of at least a majority of the shares of Preferred Stock then outstanding. In no event shall any amendment,

modification or waiver hereof be binding or effective which amendment or waiver materially and adversely affects the rights of any class of Preferred Stock without the prior written consent of a majority of the shares of each such class of Preferred Stock then outstanding.

Part 12. NOTICES.

Except as otherwise expressly provided, all notices referred to herein shall be in writing and shall be delivered by registered or certified mail, return receipt requested, postage prepaid, or sent by reputable overnight express courier service, charges prepaid, and shall be deemed to have been delivered when so mailed or sent (i) to the Corporation, at its principal executive offices and (ii) to any stockholder, at such holder's address as it appears in the stock records of the Corporation (unless otherwise indicated in writing by any such holder).

Part 13. OTHER RESTRICTIONS.

The Company is restricted from taking certain actions pursuant to the Class A Preferred Stock Purchase Agreement entered into by the Company and the purchasers of the outstanding Class A Preferred, the Class B Preferred Stock Purchase Agreement entered into by the Company and the holders of the outstanding Class B Preferred, the Class C Preferred Stock Purchase Agreement entered into by the Company and the holders of the outstanding Class C Preferred, the Class D Preferred Stock Purchase Agreement entered into by the Company and the holders of the outstanding Class D Preferred, the Class E Preferred Stock Purchase Agreement entered into by the Company and the holders of the outstanding Class E Preferred, the Class F Preferred Stock and Warrant Purchase Agreement entered into by the Company and the holders of the outstanding Class F Preferred, the Asset Purchase Agreement entered into by the Company and the holder of the outstanding Class G Preferred Stock, the Asset Purchase Agreement entered into by the Company and the holder of the outstanding Class H Preferred Stock, as such agreements may be amended from time to time in accordance with their terms, and the Class I Preferred Stock Purchase Agreement entered into by the Company and the holders of the outstanding Class I Preferred.

SECTION 3. COMMON STOCK.

Part 1. VOTING RIGHTS. Except as otherwise required by law, the holders of Common Stock will be entitled to one vote per share on all matters to be voted on by the Corporation's stockholders.

Part 2. DIVIDENDS. Subject to the limitations contained in paragraph 1C of Section 2 of this Article Four, the holders of Common Stock will be entitled to dividends if, when, and as declared by the Corporation's board of directors, out of funds

legally available therefor, whether payable in cash, property or securities of the Corporation.

Part 3. REGISTRATION OF TRANSFER. The Corporation will keep at its principal office (or such other place as the Corporation reasonably designated) a register for the registration of shares of Common Stock. Upon the surrender of any certificate representing shares of Common Stock at such place, the Corporation will, at the request of the registered holder of such certificate, execute and deliver (at the Corporation's expense) a new certificate or certificates in exchange therefor representing in the aggregate the number of shares of Common Stock represented by the surrendered certificate, and the Corporation forthwith will cancel such surrendered certificate. Each such new certificate will be registered in such name and will represent such number of shares as is requested by the holder of the surrendered certificate and will be substantially identical in form to the surrendered certificate.

Part 4. REPLACEMENT. Upon receipt of evidence reasonably satisfactory to the Corporation (it being understood that an affidavit of the registered holder will be deemed satisfactory to the Corporation) of the ownership and the loss, theft, destruction or mutilation of any certificate evidencing one or more shares of Common Stock, and in the case of any such loss, theft or destruction, upon receipt of indemnity reasonably satisfactory to the Corporation (provided that if the holder is an institutional investor its own agreement will be satisfactory), or, in the case of any such mutilation, upon surrender of such certificate, the Corporation will (at its expense) executive and deliver in lieu of such certificate a new certificate of like kind representing the number of shares represented by such lost, stolen, destroyed or mutilated certificate and dated the date of such lost, stolen, destroyed or mutilated certificate.

ARTICLE FIFTH

The Corporation is to have perpetual existence.

ARTICLE SIXTH

In furtherance and not in limitation of the powers conferred by statute, the board of directors of the Corporation is expressly authorized to make, alter or repeal the by-laws of the Corporation.

ARTICLE SEVENTH

Meetings of stockholders may be held within or without the State of Delaware, as the by-laws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the board of directors or in the by-laws of the Corporation. Election of directors need not be by written ballot unless the by-laws of the Corporation so provide.

ARTICLE EIGHTH

To the fullest extent permitted by the General Corporation Law of the State of Delaware as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director. Any repeal or modification of this ARTICLE EIGHTH shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification.

ARTICLE NINTH

The Corporation expressly elects not to be governed by Section 203 of the General Corporation Law of the State of Delaware.

ARTICLE TENTH

The Corporation reserves the right to amend, alter, change or repeal any provision contained in this certificate of incorporation in the manner now or hereafter prescribed herein and by the laws of the State of Delaware, and all rights conferred upon stockholders herein are granted subject to this reservation.

EXHIBIT 3.5

AMENDED AND RESTATED BY-LAWS

OF

STERICYCLE, INC.

A Delaware Corporation

ARTICLE I

OFFICES

SECTION 1. REGISTERED OFFICE. The registered office of the corporation in the State of Delaware shall be located at 32 Loockerman Square, Suite L-100, Dover, Delaware, 19901, County of Kent. The name of the corporation's registered agent at such address shall be Prentice Hall Corporation System, Inc. The registered office and/or registered agent of the corporation may be changed from time to time by action of the board of directors.

SECTION 2. OTHER OFFICES. The corporation may also have offices at such other places, both within and without the State of Delaware, as the board of directors may from time to time determine or the business of the corporation may require.

ARTICLE II

MEETINGS OF STOCKHOLDERS

SECTION 1. PLACE AND TIME OF MEETINGS. An annual meeting of the stockholders shall be held each year within one hundred twenty (120) days after the close of the immediately preceding fiscal year of the corporation for the purpose of electing directors and conducting such other proper business as may come before the meeting. The date, time and place of the annual meeting shall be determined by the president of the corporation; provided, that if the president does not act, the board of directors shall determine the date, time and place of such meeting.

SECTION 2. SPECIAL MEETINGS. Special meetings of stockholders may be called for any purpose and may be held at such time and place, within or without the State of Delaware, as shall be stated in a notice of meeting or in a duly executed waiver of notice thereof. Except as otherwise provided in the corporation's

certificate of incorporation, such meetings may be called at any time by the board of directors, the president or the holders of shares entitled to cast not less than twenty-five percent (25%) of the votes on any matter to be considered at the meeting.

SECTION 3. PLACE OF MEETINGS. The board of directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting called by the board of directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the corporation.

SECTION 4. NOTICE. Whenever stockholders are required or permitted to take action at a meeting, written or printed notice stating the place, date, time, and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote at such meeting not less than 10 nor more than 60 days before the date of the meeting. All such notices shall be delivered, either personally or by mail, by or at the direction of the board of directors, the president or the secretary, and if mailed, such notice shall be deemed to be delivered when deposited in the United States mail, postage prepaid, addressed to the stockholder at his, her or its address as the same appears on the records of the corporation. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 5. STOCKHOLDERS LIST. The officer having charge of the stock ledger of the corporation shall make, at least 10 days before every meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 6. QUORUM. The holders of shares representing a majority of the voting power of the corporation, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders, except as otherwise provided by statute or by

the certificate of incorporation. If a quorum is not present, the holders shares representing a majority of the voting power present in person or represented by proxy at the meeting, and entitled to vote at the meeting, may adjourn the meeting to another time and/or place. When a quorum is once present to commence a meeting of stockholders, it is not broken by the subsequent withdrawal of any stockholders or their proxies.

SECTION 7. ADJOURNED MEETINGS. When a meeting is adjourned to another time and place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

SECTION 8. VOTE REQUIRED. When a quorum is present, the affirmative vote of the holders of shares representing a majority of the voting power present in person or represented by proxy at the meeting and entitled to vote on of shares the subject matter shall be the act of the stockholders, unless the question is one upon which by express provisions of an applicable law or of the certificate of incorporation a different vote is required, in which case such express provision shall govern and control the decision of such question.

SECTION 9. VOTING RIGHTS. Except as otherwise provided by the General Corporation Law of the State of Delaware or by the certificate of incorporation of the corporation or any amendments thereto and subject to Section 3 of Article VI hereof, every stockholder shall at every meeting of the stockholders be entitled to one vote in person or by proxy for each share of common stock held by such stockholder.

SECTION 10. PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him or her by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. A duly executed proxy shall be irrevocable if it states that it is irrevocable and if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. Any proxy is suspended when the person executing the proxy is present at a meeting of stockholders and elects to vote, except that when such proxy is coupled with an

interest and the fact of the interest appears on the face of the proxy, the agent named in the proxy shall have all voting and other rights referred to in the proxy, notwithstanding the presence of the person executing the proxy. At each meeting of the stockholders, and before any voting commences, all proxies filed at or before the meeting shall be submitted to and examined by the secretary or a person designated by the secretary, and no shares may be represented or voted under a proxy that has been found to be invalid or irregular.

SECTION 11. ACTION BY WRITTEN CONSENT. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken and bearing the dates of signature of the stockholders who signed the consent or consents, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the state of Delaware, or the corporation's principal place of business, or an officer or agent of the corporation having custody of the book or books in which proceedings of meetings of the stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. All consents properly delivered in accordance with this section shall be deemed to be recorded when so delivered. No written consent shall be effective to take the corporate action referred to therein unless, within sixty days of the earliest dated consent delivered to the corporation as required by this section, written consents signed by the holders of a sufficient number of shares to take such corporate action are so recorded. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Any action taken pursuant to such written consent or consents of the stockholders shall have the same force and effect as if taken by the stockholders at a meeting thereof.

ARTICLE III

DIRECTORS

SECTION 1. GENERAL POWERS. The business and affairs of the corporation shall be managed by or under the direction of the board of directors.

SECTION 2. NUMBER, ELECTION AND TERM OF OFFICE. The number of directors which shall constitute the board shall be seven (7). Thereafter, the number of directors shall be established from time to time by resolution of the board except as otherwise provided in the corporation's certificate of incorporation or any contract among the corporation and the holders of its capital stock. The directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote in the election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the corporation's certificate of incorporation, the provisions of this section shall apply, in respect to the election of one or more such directors, to the vote of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. The directors shall be elected in this manner at the annual meeting of the stockholders, except as provided in Section 4 of this Article III. Each director elected shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. REMOVAL AND RESIGNATION. Except as otherwise provided by the corporation's certificate of incorporation, any director or the entire board of directors may be removed at any time, with or without cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of any class or series are entitled to elect one or more directors by the provisions of the corporation's certificate of incorporation, the provisions of this section shall apply, in respect to the removal without cause of a director or directors so elected, to the vote of the holders of the outstanding shares of that class or series and not to the vote of the outstanding shares as a whole. Any director may resign at any time upon written notice to the corporation.

SECTION 4. VACANCIES. Except as otherwise provided by the corporation's certificate of incorporation, vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director. Each director so chosen shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as herein provided.

SECTION 5. ANNUAL MEETINGS. The annual meeting of each newly elected board of directors shall be held without other notice than this by-law immediately after, and at the same place as, the annual meeting of stockholders.

SECTION 6. OTHER MEETINGS AND NOTICE. Regular meetings, other than the annual meeting, of the board of directors shall be

held at least four times during each fiscal year, with at least one such meeting being held in each fiscal quarter of each fiscal year and shall be held without notice at such time and at such place as shall from time to time be determined by resolution of the board. Special meetings of the board of directors may be called by or at the request of the president or any director on at least 24 hours notice to each director, either personally, by telephone, by mail or by telegraph.

SECTION 7. QUORUM, REQUIRED VOTE AND ADJOURNMENT. A majority of the total number of directors shall constitute a quorum for the transaction of business. The vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the board of directors. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

SECTION 8. COMMITTEES. The board of directors may, by resolution passed by a majority of the whole board, designate one or more committees, each committee to consist of one or more of the directors of the corporation, which to the extent provided in such resolution or these by-laws shall have and may exercise the powers of the board of directors in the management and affairs of the corporation except as otherwise limited by law. The board of directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors when required.

SECTION 9. COMMITTEE RULES. Each committee of the board of directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the board of directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. In the event that a member and that member's alternate, if alternates are designated by the board of directors as provided in Section 8 of this Article III, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the board of directors to act at the meeting in place of any such absent or disqualified member.

SECTION 10. COMMUNICATIONS EQUIPMENT. Members of the board of directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

SECTION 11. WAIVER OF NOTICE AND PRESUMPTION OF ASSENT. Any member of the board of directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Such member shall be conclusively presumed to have assented to any action taken unless his or her dissent shall be entered in the minutes of the meeting or unless his or her written dissent to such action shall be filed with the person acting as the secretary of the meeting before the adjournment thereof or shall be forwarded by registered mail to the secretary of the corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any member who voted in favor of such action.

SECTION 12. ACTION BY WRITTEN CONSENT. Unless otherwise restricted by the certificate of incorporation, any action required or permitted to be taken at any meeting of the board of directors, or of any committee thereof, may be taken without a meeting if all members of the board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the board or committee.

ARTICLE IV

OFFICERS

SECTION 1. NUMBER. The officers of the corporation shall be elected by the board of directors and shall consist of a president, one or more vice-presidents, a chief financial officer, a secretary, a treasurer, and such other officers and assistant officers as may be deemed necessary or desirable by the board of directors. Any number of offices may be held by the same person. In its discretion, the board of directors may choose not to fill any office for any period as it may deem advisable, except that the offices of president and secretary shall be filled as expeditiously as possible.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the corporation shall be elected annually by the board of directors at its first meeting held after each annual meeting of stockholders

or as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the board of directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

SECTION 3. REMOVAL. Any officer or agent elected by the board of directors may be removed by the board of directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES. Any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term by the board of directors then in office.

SECTION 5. COMPENSATION. Compensation of all officers shall be fixed by the board of directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a director of the corporation.

SECTION 6. CHAIRMAN OF THE BOARD. The chairman of the board shall have such powers and perform such duties incident to that position. He shall preside at all meetings of the board of directors and stockholders and shall have such other powers and perform such other duties as may be prescribed by the board of directors or provided in these by-laws. Whenever the president is unable to serve, by reason of sickness, absence or otherwise, the chairman of the board shall perform all the duties and responsibilities and exercise all the powers of the president.

SECTION 7. THE PRESIDENT. The president shall be the chief executive officer of the corporation; shall preside at all meetings of the stockholders and board of directors at which he or she is present; subject to the powers of the board of directors, shall have general charge of the business, affairs and property of the corporation, and control over its officers, agents and employees; and shall see that all orders and resolutions of the board of directors are carried into effect. The president shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation. The president shall have such other powers and perform such other duties as may be prescribed by the board of directors or as may be provided in these by-laws.

SECTION 8. CHIEF FINANCIAL OFFICER. The chief financial officer of the corporation shall, under the direction of the president, be responsible for all financial and accounting matters and for the direction of the offices of treasurer and controller. The chief financial officer shall have such other powers and perform such other duties as may be prescribed by the president or the board of directors or as may be provided in these by-laws.

SECTION 9. VICE-PRESIDENTS. The vice-president, or if there shall be more than one, the vice-presidents in the order determined by the board of directors, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice-presidents shall also perform such other duties and have such other powers as the board of directors, the president or these by-laws may, from time to time, prescribe.

SECTION 10. THE SECRETARY AND ASSISTANT SECRETARIES. The secretary shall attend all meetings of the board of directors, all meetings of the committees thereof and all meetings of the stockholders and record all the proceedings of the meetings in a book or books to be kept for that purpose. Under the president's supervision, the secretary shall give, or cause to be given, all notices required to be given by these by-laws or by law; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe; and shall have custody of the corporate seal of the corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The board of directors may give general authority to any other officer to affix the seal of the corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, the assistant secretaries in the order determined by the board of directors, shall, in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the board of directors, the president, or secretary may, from time to time, prescribe.

SECTION 11. THE TREASURER AND ASSISTANT TREASURER. The treasurer shall have the custody of the corporate funds and securities; shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation; shall deposit all monies and other valuable effects in the name and to the credit of the corporation at may be ordered by the board of directors; shall cause the funds of the corporation to be disbursed when such disbursements have been duly authorized, taking proper vouchers for such disbursements; and shall render to the president and the board of directors, at its regular meeting or when the board of directors

so requires, an account of the corporation; shall have such powers and perform such duties as the board of directors, the president or these by-laws may, from time to time, prescribe. If required by the board of directors, the treasurer shall give the corporation a bond (which shall be rendered every six years) in such sums and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of the office of treasurer and for the restoration to the corporation, in case of death, resignation, retirement, or removal from office, of all books, papers, vouchers, money, and other property of whatever kind in the possession or under the control of the treasurer belonging to the corporation. The assistant treasurer, or if there shall be more than one, the assistant treasurers in the order determined by the board of directors, shall in the absence or disability of the treasurer, perform the duties and exercise the powers of the treasurer. The assistant treasurers shall perform such other duties and have such other powers as the board of directors, the president or treasurer may, from time to time, prescribe.

SECTION 12. OTHER OFFICERS, ASSISTANT OFFICERS AND AGENTS. Officers, assistant officers and agents, if any, other than those whose duties are provided for in these by-laws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the board of directors.

SECTION 13. ABSENCE OR DISABILITY OF OFFICERS. In the case of the absence or disability of any officer of the corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the board of directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person whom it may select.

ARTICLE V

INDEMNIFICATION OF OFFICERS, DIRECTORS AND OTHERS

SECTION 1. NATURE OF INDEMNITY. Each person who was or is made a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer, of the corporation or is or was serving at the request of the corporation as a director, officer, employee, fiduciary, or agent of another corporation or of a partnership, joint venture, trust or other enterprise, shall be indemnified and held harmless by the corporation to the fullest extent which it is empowered to do so by the General Corporation Law of the State of Delaware, as the

same exists or may hereafter be amended against all expense, liability and loss (including attorneys' fees actually and reasonably incurred by such person in connection with such proceeding and such indemnification shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that, except as provided in Section 2 hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding initiated by such person only if such proceeding was authorized by the board of directors of the corporation. The right to indemnification conferred in this Article V shall be a contract right and, subject to Sections 2 and 5 hereof, shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition. The corporation may, by action of its board of directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

SECTION 2. PROCEDURE FOR INDEMNIFICATION OF DIRECTORS AND OFFICERS. Any indemnification of a director or officer of the corporation under Section 1 of this Article V or advance of expenses under Section 5 of this Article V shall be made promptly, and in any event within 30 days, upon the written request of the director or officer. If a determination by the corporation the at the director or officer is entitled to indemnification pursuant to this Article V is required, and the corporation fails to respond within sixty days to a written request for indemnity, the corporation shall be deemed to have approved the request. If the corporation denies a written request for indemnification or advancing of expenses, in whole or in part, or if payment in full pursuant to such request is not made within 30 days, the right to indemnification or advances as granted by this Article V shall be enforceable by the director or officer in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall also be indemnified by the corporation. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the corporation) that the claimant has not met the standards of conduct which make it permissible under the General Corporation Law of the State of Delaware for the corporation to indemnify the claimant for the amount claimed, but the burden of such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct sot forth in the General Corporation Law of the State of Delaware, nor an actual

determination by the corporation (including its board of directors, independent legal counsel, or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

SECTION 3. ARTICLE NOT EXCLUSIVE. The rights to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article V shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the certificate of incorporation, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

SECTION 4. INSURANCE. The corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee, fiduciary, or agent of the corporation or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred by him or her in any such capacity, whether or not the corporation would have the power to indemnify such person against such liability under this Article V.

SECTION 5. EXPENSES. Expenses incurred by any person described in Section 1 of this Article V in defending a proceeding shall be paid by the corporation in advance of such proceeding's final disposition unless otherwise determined by the board of directors in the specific case upon receipt of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the corporation. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

SECTION 6. EMPLOYEES AND AGENTS. Persons who are not covered by the foregoing provisions of this Article V and who are or were employees or agents of the corporation, or who are or were serving at the request of the corporation as employees or agents of another corporation, partnership, joint venture, trust or other enterprise, may be indemnified to the extent authorized at any time or from time to time by the board of directors.

SECTION 7. CONTRACT RIGHTS. The provisions of this Article V shall be deemed to be a contract right between the corporation and each director or officer who serves in any such capacity at any time while this Article V and the relevant provisions of the General Corporation Law of the State of Delaware or other applicable law are in effect, and any repeal or modification of this Article V or any such law shall not affect any rights or obliga-

tions then existing with respect to any state of facts or proceeding then existing.

SECTION 8. MERGER OR CONSOLIDATION. For purposes of this Article V, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this Article V with respect to the resulting or surviving corporation as he or she would have with respect to such constituent corporation if its separate existence had continued.

ARTICLE VI

CERTIFICATES OF STOCK

SECTION 1. FORM. Every holder of stock in the corporation shall be entitled to have a certificate, signed by, or in the name of the corporation by the president or a vice-president and the secretary or an assistant secretary of the corporation, certifying the number of shares owned by such holder in the corporation. If such a certificate is countersigned (1) by a transfer agent or an assistant transfer agent other than the corporation or its employee or (2) by a registrar, other than the corporation or its employee, the signature of any such president, vice-president, secretary, or assistant secretary may be facsimiles. In case any officer or officers who have signed, or whose facsimile signature or signatures have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation whether because of death, resignation or otherwise before such certificate or certificates have been delivered by the corporation, such certificate or certificates may nevertheless be issued and delivered as though the person or persons who signed such certificate or certificates or whose facsimile signature or signatures have been used thereon had not ceased to be such officer or officers of the corporation. All certificates for shares shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the corporation. Shares of stock of the corporation shall only be transferred on the books of the corporation by the holder of record thereof or by such holder's attorney duly authorized in writing, upon surrender to the corporation of the certificate or

certificates for such shares endorsed by the appropriate person or persons, with such evidence of the authenticity of such endorsement, transfer, authorization, and other matters as the corporation may reasonably require, and accompanied by all necessary stock transfer stamps. In that event, it shall be the duty of the corporation to issue a new certificate to the person entitled thereto, cancel the old certificate or certificates, and record the transaction on its books. The board of directors may appoint a bank or trust company organized under he laws of the United States or any state thereof to act as its transfer agent or registrar, or both in connection with the transfer of any class or series of securities of the corporation.

SECTION 2. LOST CERTIFICATES. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen, or destroyed certificate or certificates, or his or her legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against the corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

SECTION 3. FIXING A RECORD DATE FOR STOCKHOLDER MEETINGS. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the board of directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the next day preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting.

SECTION 4. FIXING A RECORD DATE FOR ACTION BY WRITTEN CONSENT. In order that the corporation may determine the stockholders entitled to consent to corporate action in writing without

a meeting, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the board of directors, and which date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the board of directors. If no record date has been fixed by the board of directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the board of directors is required by statute, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the board of directors and prior action by the board of directors is required by statute, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the board of directors adopts the resolution taking such prior action.

SECTION 5. FIXING A RECORD DATE FOR OTHER PURPOSES. In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment or any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purposes of any other lawful action, the board of directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

SECTION 6. REGISTERED STOCKHOLDERS. Prior to the surrender to the corporation of the certificate or certificates for a share or shares of stock with a request to record the transfer of such share or shares, the corporation may treat the registered owner as the person entitled to receive dividends, to vote, to receive notifications, and otherwise to exercise all the rights and powers of an owner.

SECTION 7. SUBSCRIPTIONS FOR STOCK. Unless otherwise provided for in the subscription agreement, subscriptions for shares shall be paid in full at such time, or in such installments and at such times, as shall be determined by the board of directors. Any call made by the board of directors for payment on

subscriptions shall be uniform as to all shares of the same class or as to all shares of the same series. In case of default in the payment of any installment or call when such payment is due, the corporation may proceed to collect the amount due in the same manner as any debt due the corporation.

ARTICLE VII

GENERAL PROVISIONS

SECTION 1. DIVIDENDS. Dividends upon the capital stock of the corporation, subject to the provisions of the certificate of incorporation, if any, may be declared by the board of directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

SECTION 2. CHECKS, DRAFTS OR ORDERS. All checks, drafts, or other orders for the payment of money by or to the corporation and all notes and other evidences of indebtedness issued in the name of the corporation shall be signed by such officer or officers, agent or agents of the corporation, and in such manner, as shall be determined by resolution of the board of directors or a duly authorized committee thereof.

SECTION 3. CONTRACTS. The board of directors may authorize any officer or officers, or any agent or agents, of the corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

SECTION 4. LOANS. No loans shall be made by the corporation to its officers or directors, and no loans shall be made by the corporation secured by its shares. No loans shall be made or contracted on behalf of the corporation and no evidences of indebtedness shall be issued in its name unless authorized by resolution of the board of directors. Such authority may be general or confined to specific instances.

SECTION 5. FISCAL YEAR. The fiscal year of the corporation shall be fixed by resolution of the board of directors.

SECTION 6. CORPORATE SEAL. The board of directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the corporation and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

SECTION 7. VOTING SECURITIES OWNED BY CORPORATION. Voting securities in any other corporation hold by the corporation shall be voted by the president, unless the board of directors specifically confers authority to vote with respect thereto, which authority may be general or confined to specific instances, upon some other person or officer. Any person authorized to vote securities shall have the power to appoint proxies, with general power of substitution.

SECTION 8. INSPECTION OF BOOKS AND RECORDS. Any stockholder of record, in person or by attorney or other agent, shall, upon written demand under oath stating the purpose thereof, have the right during the usual hours for business to inspect for any proper purpose the corporation's stock ledger, a list of its stockholders, and its other books and records, and to make copies or extracts therefrom. A proper purpose shall mean any purpose reasonably related to such person's interest as a stockholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the stockholder. The demand under oath shall be directed to the corporation at its registered office in the State of Delaware or at its principal place of business.

SECTION 9. SECTION HEADINGS. Section headings in these by-laws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

SECTION 10. INCONSISTENT PROVISIONS. In the event that any provision of those by-laws is or becomes inconsistent with any provision of the certificate of incorporation, the General Corporation Law of the State of Delaware or any other applicable law, the provision of these by-laws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

ARTICLE VIII

AMENDMENTS

These by-laws may be amended, altered, or repealed and new by-laws adopted at any meeting of the board of directors by a majority vote. The fact that the power to adopt, amend, alter, or repeal the by-laws has been conferred upon the board of directors shall not divest the stockholders of the same powers.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE ASSIGNED EXCEPT PURSUANT TO A REGISTRATION STATEMENT WITH RESPECT TO SUCH SECURITIES WHICH IS EFFECTIVE UNDER SUCH ACT AND UNDER ANY APPLICABLE STATE SECURITIES LAWS UNLESS, IN THE OPINION OF COUNSEL REASONABLY SATISFACTORY TO STERICYCLE, INC., AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND STATE SECURITIES LAWS IS AVAILABLE.

STERICYCLE, INC.
COMMON STOCK PURCHASE WARRANT

VOID AFTER JULY 26, 2000

Stericycle, Inc., a Delaware corporation (the "Company"), hereby certifies that, for value received, ("Holder"), or assigns, is entitled, subject to the terms set forth below, to purchase from the Company at any time or from time to time before 5:00 p.m. Central time on July 26, 2000 (the "Expiration Date"), at the purchase price of $.299 per share, subject to adjustment as set forth in Section 6, shares of Class A Common Stock of the Company;

As used herein the following terms, unless the context otherwise requires, have the following respective meanings:

(a) The term "Company" includes any corporation which shall succeed to or assume the obligations of the Company hereunder.

(b) The term "Stock" shall mean the Class A Common Stock, if and when authorized, and any other securities or property of the Company or of any other person (corporate or otherwise) which the Holders at any time shall be entitled to receive on the exercise hereof, in lieu of or in addition to the Class A Common Stock or which at any time shall be issuable in exchange for or in replacement of the Class A Common Stock.

1. INITIAL EXERCISE DATE; EXPIRATION. This Warrant may be exercised at any time or from time to time. It shall expire 5:00 p.m. Central time on July 26, 2000.

2. [Intentionally Omitted]

3. EXERCISE OF WARRANT; PARTIAL EXERCISE. This Warrant may be exercised in full or in part by the Holders by surrender of this Warrant, with the form of subscription attached hereto duly executed by the Holders, to the Company at its principal office, accompanied by payment, in cash or by certified or official bank check payable to the order of the Company, of the purchase price of the shares of Stock to be purchased hereunder, the cancellation by the

Holder of indebtedness of the Company to the Holder in an amount equal to such purchase price, or any combination thereof. For any partial exercise hereof, the Holders shall designate in the subscription the number of shares of Stock that they wish to purchase. On any such partial exercise, the Company at its expense shall forthwith issue and deliver to the Holders a new warrant of like tenor, in the name of the Holders, which shall be exercisable for such number of shares of Stock represented by this Warrant which have not been purchased upon such exercise.

4. WHEN EXERCISE IS EFFECTIVE. The exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the business day on which this Warrant is surrendered to the Company as provided in Section 3, and at such time the person in whose name any certificate for shares of Stock are to be issued upon such exercise (as provided in Section 5) shall be deemed to be the record holder of such Stock for all purposes.

5. DELIVERY ON EXERCISE. As soon as practicable after the exercise of this Warrant in full or in part, and in any event within five business days thereafter, the Company at its expense (including the payment by it of any applicable issue taxes) will cause to be issued in the name of and delivered to the holder hereof, or as such holder may direct, a certificate or certificates for the number of fully paid and nonassessable full shares of Stock to which such holder shall be entitled on such exercise.

6. ADJUSTMENT OF PURCHASE PRICE AND NUMBER OF SHARES. The character of the shares of Stock issuable upon exercise of this Warrant (or any shares of stock or other securities at the time issuable upon exercise of this Warrant) and the purchase price therefor, are subject to adjustment upon the occurrence of the following events:

6.1 ADJUSTMENT FOR STOCK SPLITS, STOCK DIVIDENDS, RECAPITALIZATION, ETC. The exercise price of this Warrant and the number of shares of Stock issuable upon exercise of this Warrant (or any shares of stock or other securities at the time issuable upon exercise of this Warrant) shall be appropriately adjusted to reflect any stock dividend, stock split, combination of shares, reclassification, recapitalization or other similar event affecting the number of outstanding shares of Stock (or such other stock or securities). For example, if there should be a 2-for-1 stock split, the exercise price would be divided by two and such number of shares would be doubled.

6.2 ADJUSTMENT FOR OTHER DIVIDENDS AND DISTRIBUTIONS. In case the Company shall make or issue, or shall fix a record date for the determination of eligible holders entitled to receive, a dividend or other distribution with respect to the Stock (or any shares of stock or other securities at the time issuable upon exercise of the Warrant) payable in (i) securities of the Company (other than shares of Common Stock) or (ii) assets (excluding cash dividends paid or payable solely out of retained earnings), then in each case, the Holders on exercise hereof at any time after the consummation, effective date or record date of such event shall receive, in addition to the Stock (or such other stock or securities) issuable on such exercise prior to such date, the securities or such

other assets of the Company to which Holders would have been entitled upon such date if Holders had exercised this Warrant immediately prior thereto (all subject to further adjustment as provided in this Warrant).

6.3 ADJUSTMENT FOR REORGANIZATION, CONSOLIDATION, MERGER, ETC. In case of any consolidation or merger of the Company with or into any other corporation, entity or person, or any other corporate reorganization, in which the Company shall not be the continuing or surviving entity of such consolidation, merger or reorganization, or any transaction in which in excess of 50% of the Company's voting power is transferred, or any sale of all or substantially all of the assets of the Company (any such transaction being hereinafter referred to as a "Reorganization"), then, in each case, the Holders, on exercise hereof at any time after the consummation or effective date of such Reorganization (the "Effective Date"), shall receive, in lieu of the Stock issuable on such exercise prior to the Effective Date, the stock and other securities and property (including cash) to which Holders would have been entitled upon the Effective Date if Holders had exercised this Warrant immediately prior thereto (all subject to further adjustment as provided in this Warrant).

6.4 ADJUSTMENT UPON SALE OF STOCK. In the event of a sale by the Company of any of its Class A Common Stock in exchange for cash equity within one year of the date hereof for an aggregate purchase price of at least One Million Dollars ($1,000,000) (an "Equity Raise"), the exercise price for purchase of Stock pursuant to this Warrant shall be adjusted to an amount equal to 70% of the per share purchase price for the Class A Common Stock sold pursuant to such sale. The adjustment described in this subparagraph shall be made only upon the first Equity Raise.

6.5 CERTIFICATE AS TO ADJUSTMENTS. In case of any adjustment or readjustment in the price or kind of securities issuable on the exercise of this Warrant pursuant to the provisions of this Section 6, the Company will promptly give written notice thereof to the Holders in the form of a certificate, certified and confirmed by the Board of Directors of the Company, setting forth such adjustment or readjustment and showing in reasonable detail the facts upon which such adjustment or readjustment is based.

7. ADDITIONAL OBLIGATIONS. The Company (a) will not increase the par value of any shares of stock receivable on the exercise of this Warrant above the amount payable therefor on such exercise, (b) will at all times reserve and keep available a number of its authorized shares of Stock, free from all preemptive rights therein, which will be sufficient to permit the exercise of this Warrant, and (c) shall take all such action as may be necessary or appropriate in order that all shares of Stock as may be issued pursuant to the exercise of this Warrant will, upon issuance, be duly and validly issued, fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof.

8. NOTICES OF RECORD DATE, ETC. In the event of:

(a) any taking by the Company of a record of the holders of any class of

securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other distribution, or any right to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities or property, or to receive any other right, or

(b) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, or any transfer of all or substantially all the assets of the Company to, or consolidation or merger of the Company with, or into, any other person, or

(c) any voluntary or involuntary dissolution, liquidation or winding-up of the Company, or

(d) any proposed issue or grant by the Company of any shares of stock of any class or any other securities, or any right or option to subscribe for, purchase or otherwise acquire any shares of stock of any class or any other securities. Then and in each such event the Company will mail to the Holders a notice specifying (i) the date on which any such record is to be taken for the purpose of such dividend, distribution or right, and stating the amount and character of such dividend, distribution or right, (ii) the date on which any such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Stock (or any shares of stock or other securities at the time issuable upon the exercise of this Warrant) shall be entitled to exchange their shares for securities or other property deliverable on such reorganization, reclassification, recapitalization, transfer, consolidation, merger, dissolution, liquidation or winding-up, and (iii) the amount and character of any stock or other securities, or rights or options which respect thereto, proposed to be issued or granted, the date of such proposed issue or grant and the persons or class of persons to whom such proposed issue or grant is to be offered or made. Such notice shall be mailed at least 20 days prior to the date therein specified.

9. EXCHANGE OF WARRANTS. On surrender for exchange of this Warrant, properly endorsed, to the Company, the Company at its expense will issue and deliver to or on the order of the Holders a new Warrant of like tenor, in the name of Holders or as Holders may direct, calling in the aggregate on the face thereof for the number of shares of Stock called for on the face of the Warrant so surrendered.

10. REPLACEMENT OF WARRANTS. On receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of any such loss, theft or destruction of this Warrant, on delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company or, in the case of any such mutilation, on surrender and cancellation of such Warrant, the Company at its expense will execute and deliver, in lieu thereof, a new Warrant of like tenor.

11. TRANSFER. Subject to the transfer conditions referred to in the legend endorsed

hereon, this Warrant and all rights hereunder are transferable, in whole or in part, without charge to the Holders upon surrender of this Warrant with a properly executed assignment at the principal office of the Company. Upon any partial transfer, the Company will at its expense issue and deliver to the Holders a new Warrant of like tenor, in the name of the Holders, which shall be exercisable for such number of shares of Stock which were not so transferred.

12. NO RIGHTS OR LIABILITY AS A STOCKHOLDER. This Warrant does not entitle the Holders to any voting rights or other rights as a stockholder of the Company. No provisions hereof, in the absence of affirmative action by the Holders to purchase Stock, and no enumeration herein of the rights or privileges of the Holders shall give rise to any liability of Holders as a stockholder of the Company.

13. DAMAGES. The Company recognizes and agrees that the Holders will not have an adequate remedy if the Company fails to comply with the terms of this Warrant and that damages will not be readily ascertainable, and the Company expressly agrees that, in the event of such failure, it shall not oppose an application by the Holders or any other person entitled to the benefits of this Warrant requiring specific performance of any and all provisions hereof or enjoining the Company from continuing to commit any such breach of the terms hereof.

14. NOTICES. All notices referred to in this Warrant shall be in writing and shall be delivered personally or by certified or registered mail, return receipt requested, postage prepaid and will be deemed to have been given when so delivered or mailed (i) to the Company, at its principal executive offices and (ii) to the Holders, at each Holders' address as it appears in the records of the Company (unless otherwise indicated by such Holder).

15. PAYMENT OF TAXES. All shares of Stock issued upon the exercise of this Warrant shall be validly issued, fully paid and non-assessable.

16. MISCELLANEOUS. This Warrant and any term hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. This Warrant is being delivered in the State of Illinois and shall be governed by and construed and enforced in accordance with the internal laws of the State of Illinois (without reference to any principles of the conflicts of laws). The headings in this Warrant are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

Dated: As of July 26, 1995

STERICYCLE, INC.

By: /s/ James Polark

Its: VP CFO

FORM OF SUBSCRIPTION

To:

The undersigned, the Holders of the within Warrant, hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, shares of Class A Common Stock of Stericycle, Inc., and herewith makes payment of $.299 per share therefor, and requests that the certificates for such shares be issued in the name of, and delivered to , whose address is .

(Signature must conform in all respects to name of Holders as specified on the fact of the Warrant)

(Address)

Dated:

FIRST AMENDMENT TO AMENDED AND RESTATED REGISTRATION AGREEMENT

THIS FIRST AMENDMENT TO AMENDED AND RESTATED REGISTRATION AGREEMENT ("Amendment") is made as of September 30, 1995, among Stericycle, Inc., a Delaware corporation (the "Company"), and the investors listed on the signature pages hereto (collectively, the "Investors").

RECITALS

A. The Company and the Investors are parties to that certain Amended and Restated Registration Agreement made as of October 19, 1994 (the "Registration Agreement").

B. Pursuant to the terms of that certain Plan of Recapitalization, a copy of which is attached hereto (the "Plan of Recapitalization"), the Company has proposed to recapitalize the Company by reclassifying all of its outstanding preferred stock of all classes into its Class A Common Stock.

C. The Company and the Investors desire to amend the Registration Agreement to clarify that the registration rights granted in the Registration Agreement will apply to the Class A Common Stock received by the Investors in exchange for the Company's preferred shares pursuant to the Plan of Recapitalization.

NOW THEREFORE, the parties agree as follows:

1. Section 1(a) of the Registration Agreement is amended to read as follows:

> (a) REQUESTS FOR REGISTRATION. At any time after the date of this Agreement, the holders of at least a majority of the Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities on Form S-1 or any similar long-form registration ("Long-Form Registrations"), and the holders of at least 25% of the Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities on Form S-2 or S-3 or any similar short-form registration (the "Short-Form Registrations") available. At any time after the first to occur of (i) an initial public distribution which would trigger periodic public reporting with respect to the Company, or (ii) July 10, 1996, State Farm Mutual Automobile Insurance Company ("State Farm"), as long as it, along with its affiliates, is the holder of at least 80 % of the Common Stock received by State Farm pursuant to the Plan of Recapitalization (other than shares subsequently repurchased by the Company or previously sold pursuant to a registration hereunder), may request registrations under the Securities Act of all or part of the shares of its Registrable Securities on Form S-1 or any similar long-form registration (a "Preferred Long-Form Registration"). At any time after an initial public distribution which would trigger periodic public reporting with respect

to the Company, Baxter Healthcare Corporation ("Baxter"), as long as it, along with its affiliates, is the holder of at least 50% of the Common Stock received by Baxter pursuant to the Plan of Recapitalization may request registration under the Securities Act of all or part of the shares of its Registrable Securities on Form S-1 or any similar long-form registration (the "Baxter Long-Form Registration"). Within ten days after receipt of any such request, the Company will give written notice of such request to all other holders of Registrable Securities and, subject to paragraph 1(d) hereof, will include in such registration all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice. All Registrations requested pursuant to this paragraph 1(a) are referred to herein as "Demand Registrations."

2. Section 1(c) of the Registration Agreement is hereby amended to read as follows:

(c) SHORT-FORM REGISTRATIONS. In addition to the rights provided pursuant to paragraph 1(b) above, the holders of at least 25% of the Registrable Securities will be entitled to request an unlimited number of Short-Form Registrations. Demand Registrations will be Short-Form Registrations whenever the Company is permitted to use any applicable short form. Once the Company has become subject to the reporting requirements of the Securities Exchange Act, the Company will use its best efforts to make Short-Form Registrations available for the sale of Registrable Securities.

3. Section 8 of the Registration Agreement is hereby amended to read as follows:

8. DEFINITIONS.

(a) The term "Affiliate" of a specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of a Person who is an individual, shall include members of such specified Person's immediate family and trusts, if the trustee and all beneficiaries of such trust are such specified Person or member of such Person's immediate family.

(b) The term "Common Stock" means the Company's Class A Common Stock, par value $0.01 per share.

(c) The term "Person" means an individual, a partnership, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(d) The term "Preferred Stock" means any of the Company's Class A Preferred, par value $0.01 per share, Class B Preferred, par value $0.01 per share, Class C Preferred, par value $0.01 per share, Class D Preferred, par value $0.01 per share,

Class E Preferred, par value $0.01 per share, Class F Preferred, par value $0.01 per share, Class H Preferred, par value $0.01 per share or Class I Preferred, par value $0.01 per share held by any Investor prior to the reclassification of such shares pursuant to the Plan of Recapitalization.

(e) The term "Registrable Securities" means (i) any Common Stock issued to any Investor with respect to any of the Preferred Stock pursuant to the Plan of Recapitalization, (ii) any Common stock issued upon exercise of the Warrants, and (iii) any Common Stock issued or issuable with respect to the securities referred to in clauses (i) or (ii) by way of a stock dividend or stock split or in connection with A combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities such securities will cease to be Registrable Securities when they have been (i) effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them or (H) sold to the public through a broker-dealer or market-maker in compliance with Rule 144 (or any similar rule then in force).

(f) The term "Securities Act" means the Security Act of 1933, as amended, or any similar federal law then in force.

(g) The term "Securities Exchange Act" means the Securities Exchange Act of 1934 as amended, or any similar federal law then in force.

(h) The term "Warrants" means the warrants exercisable for shares of Common Stock issued to the purchasers of the Company's Class F Preferred Stock pursuant to that certain Class F Preferred Stock and Warrant Purchase Agreement dated March 16, 1994 by and between the Company and the original purchasers of the Company's Class F Preferred Stock.

4. Section 9(g) of the Registration Agreement is hereby amended to read as follows:

(G) NOTICES. All notices, demands, or other communications to be given or delivered under or by reason of the provisions of this Agreement will be in writing and will be deemed to have been given to the recipient when delivered personally, mailed by certified or registered mail, return receipt requested and postage prepaid, or sent by reputable overnight express courier service, charges prepaid. Such notices, demands and other communications will be sent to the Investors at the address indicated in the Company's stock records and to the Company at the address indicated below:

Stericycle, Inc.
1419 Lake Cook Road, Suite 410
Deerfield, Illinois 60015
Attention: President

or to such other address or to the attention of such other person as the recipient party has specified by prior written notice of the sending party.

5. Section 9(h) of the Registration Agreement is hereby deleted.

6. The following is hereby added as Sections 9(h) through (i) of the Registration Agreement:

(h) SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be prohibited by or invalid under applicable law, such provision will be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of this Agreement.

(i) DESCRIPTIVE HEADINGS. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

(j) GOVERNING LAW. All questions concerning the construction, validity, and interpretation of this Agreement and the exhibits and schedules hereto will be governed by the internal law, and not the law of conflicts, of the State of Delaware.

7. In all other respects the Registration Agreement, as amended hereby shall remain in full force and effect.

8. The Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

9. This Amendment shall be governed by and construed in accordance with the internal laws (and not the laws of conflict) of the State of Delaware.

10. This Amendment may be executed simultaneously in two or more counterparts, any one of which need not contain the signatures of more than one party, but all such counterparts taken together will constitute one and the same agreement. The parties agree that the signature pages may be detached from the counterparts and attached to a single copy of this Amendment to physically form one document.

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

STERICYCLE, INC.

By: /s/ [Illegible]

Its: V.P. -- CFO

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned has read the First Amendment to Amended and Restated Registration Agreement, dated as of September , 1995, and hereby agrees to be bound by its terms.

INVESTOR

JACK W. SCHULER

/s/ Jack W. Schuler
- -------------------------

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned has read the First Amendment to Amended and Restated Registration Agreement, dated as of September 30, 1995, and hereby agrees to be bound by its terms.

MISSNER VENTURE PARTNERS II, L.P.

By: /s/ [Illegible]

Its: General Partner

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned has read the First Amendment to Amended and Restated Registration Agreement, dated as of September 30, 1995, and hereby agrees to be bound by its terms.

SAFEWAY DISPOSAL SYSTEMS, INC.

By: /s/ Donald T. Pascal

Donald T. Pascal
President

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned has read the First Amendment to Amended and Restated Registration Agreement dated as of September 30, 1995, and hereby agrees to be bound by its terms.

INVESTOR

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

By: /s/ Kurt G. Moser

Its: Kurt G. Moser
Vice President - Investments

BY: /s/ John S. Concklin

Its: John S. Concklin
VICE PRESIDENT - FIXED INCOME

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned have read the First Amendment to Amended and Restated Registration Agreement, dated as of September 30, 1995, and hereby agree to be bound by its terms.

GALEN PARTNERS, L.P.

By: BGW Partners L.P., its General Partner

By: /s/ Bruce F. Wesson

Bruce F. Wesson, General Partner

GALEN PARTNERS INTERNATIONAL, L.P.

By: BGW Partners L.P., its General Partner

By: /s/ Bruce F. Wesson

Bruce F. Wesson, General Partner

SIGNATURE PAGE TO FIRST AMENDMENT TO
AMENDED AND RESTATED REGISTRATION AGREEMENT

The undersigned has read the First Amendment to Amended and Restated Registration Agreement, dated as of September 30, 1995, and hereby agrees to be bound by its terms.

BAXTER HEALTHCARE CORPORATION

By: /s/ [Illegible]

Its: Vice President

AMENDED AND RESTATED REGISTRATION AGREEMENT

THIS AGREEMENT is made as of October 19, 1994, among Stericycle, Inc., a Delaware corporation (the "COMPANY"), the Purchasers (as defined below) and the investors listed on the signature pages hereto (collectively, the "INVESTORS").

RECITALS

This Agreement amends and restates that certain Amended and Restated Registration Agreement made as of September 29, 1994 (the "CLASS H REGISTRATION AGREEMENT") among the Company and certain holders of the Company's Preferred Stock. Collectively, the undersigned Investors own at least a majority of the Registrable Securities, as such term is defined in the Class H Registration Agreement. The undersigned Investors also hereby consent to the Company's granting of the rights contained herein to the holders of the Class I Preferred.

The Company and certain investors (the "PURCHASERS") are parties to a Class I Preferred Stock Purchase Agreement, dated as of the date hereof (the "CLASS I PURCHASE AGREEMENT"), pursuant to which the Purchasers have agreed, subject to certain conditions, to purchase shares of Class I Preferred. In order to induce the Purchasers to enter into the Class I Purchase Agreement, the Company has agreed to provide the Purchasers with the registration rights set forth in this Agreement. The execution a delivery of this Agreement is a condition precedent to the consummation of the transactions contemplated by the Class I Purchase Agreement.

Except as otherwise indicated, capitalized terms used herein are defined in Part 8 hereof.

NOW THEREFORE, the parties agree as follows:

1. DEMAND REGISTRATIONS.

(a) REQUESTS FOR REGISTRATION. At any time after the date of this Agreement, the holders of at least a majority of the Registrable Securities may request registration under the Securities Act of all or part of their Registrable Securities on Form S-1 or any similar long-form registration ("LONG-FORM REGISTRATIONS"), and the holders of at least 25% of the Preferred Stock may request registration under the Securities Act of all or part of their Registrable Securities on Form S-2 or S-3 or any similar short-form registration ("SHORT-FORM REGISTRATIONS") if available. At any time after the first to occur of (i) an initial public distribution which would trigger periodic public reporting with respect to the Company or (ii) July 10, 1996, State Farm Mutual Automobile Insurance Company ("STATE FARM"), as long as it, along with its affiliates, is the holder of at least 80% of the sum of the number of shares of the Class C Preferred which it purchased pursuant to the Class C Preferred Stock Purchase Agreement dated as of July 10, 1991 by and between the Company and State Farm plus the number of shares of Class D Preferred which it purchased pursuant to the Class D Preferred Stock Purchase Agreement dated as of June 25, 1992 by and between the Company and State Farm (other than shares subsequently repurchased by the Company or previously sold pursuant to a registration hereunder), may request registrations under the Securities Act of all or part of the shares of Common Stock into which their shares of Preferred Stock are convertible on Form S-1 or any similar long-form registration (a "PREFERRED LONG-FORM REGISTRATION). At any time after an initial public distribution which would trigger periodic public reporting with respect to the Company, Baxter Healthcare Corporation ("BAXTER"), as long as it, along with its affiliates, is the holder of at least 50% of the shares of Class E Preferred which Baxter purchased pursuant to the Class E Preferred Stock Purchase Agreement dated as of October 12, 1993, may request registration under the Securities Act of all or part of the shares of Common Stock into which their shares of Class E Preferred are convertible on Form S-1 or any similar long-form registration (the "BAXTER LONG-FORM REGISTRATION"). Within ten days after receipt of any such request, the Company will give written notice of such request to all other holders of Registrable Securities and, subject to paragraph 1(d) hereof, will include in such registration all Registrable

Securities with respect to which the Company has received written requests for inclusion therein within 15 days after the receipt of the Company's notice. All registrations requested pursuant to this paragraph 1(a) are referred to herein as "DEMAND REGISTRATIONS."

(b) LONG-FORM REGISTRATIONS. The holders of Registrable Securities will be entitled to request two Long-Form Registrations hereunder, State Farm shall be entitled to request two Preferred Long-Form Registrations and Baxter shall be entitled to request one Baxter Long-Form Registration; provided that no registration initiated as a Long-Form Registration, a Preferred Long-Form Registration or a Baxter Long-Form Registration will count as a Long-Form Registration, a Preferred Long-Form Registration or a Baxter Long-Form Registration, as the case may be, unless it becomes effective under the Securities Act and unless and until the holders of Registrable Securities are able to register and sell at least 90% of the Registrable Securities requested to be included in such registration.

(c) SHORT-FORM REGISTRATIONS. In addition to the rights provided pursuant to paragraph 1(b) above, the holders of at least 25% of the Preferred Stock will be entitled to request an unlimited number of Short-Form Registrations. Demand Registrations will be Short-Form Registrations whenever the Company is permitted to use any applicable short form. Once the Company has become subject to the reporting requirements of the Securities Exchange Act, the Company will use its best efforts to make Short-Form Registrations available for the sale of Registrable Securities.

(d) PRIORITY ON DEMAND REGISTRATIONS. The Company will not include in any Demand Registration any securities which are not Registrable Securities without the written consent of the holders of at least a majority of the Registrable Securities requesting such registration. If other securities are permitted to be included in a Demand Registration which is an underwritten offering and the managing underwriters advise the Company in writing that in their opinion the number of Registrable Securities and other securities requested to be included exceeds the number of Registrable Securities and other securities which can be sold in such offering, the Company will include in such registration, prior to the inclusion of any securities which are not Registrable

Securities, the number of Registrable Securities requested to be included which, in the opinion of such underwriters, can be sold, pro rata among the respective holders on the basis of the amount of Registrable Securities owned.

(e) RESTRICTIONS ON LONG-FORM REGISTRATIONS. The Company will not be obligated to effect any Long-Form Registration within six months after the effective date of a previous Long-Form Registration.

(f) SELECTION OF UNDERWRITERS. The holders of a majority of the Registrable Securities included in any Demand Registration will have the right to select the investment banker(s) and manager(s) to administer the offering. The holders of Registrable Securities shall consult with the Company's board of directors regarding the selection of investment banker(s) and manager(s) prior to the time when the holders of Registrable Securities exercise their right to make such selection; provided, however, that the Company's board of directors shall be bound by the decision of the holders of Registrable Securities regarding their choice of investment bankers And managers.

(g) OTHER REGISTRATION RIGHTS. The Company will not grant to any Person the right to request the Company to register any equity securities of the Company, or any securities convertible or exchangeable into or exercisable for such securities, without the written consent of the holders of at least a majority of the Registrable Securities.

(h) DEMAND REGISTRATION EXPENSES. The Registration Expenses of the holders of Registrable Securities in all Demand Registrations will be paid by the Company in accordance with paragraph 5 hereof.

2. PIGGYBACK REGISTRATIONS.

(a) RIGHT TO PIGGYBACK. Whenever the Company proposes to register any of its securities under the Securities Act (other than pursuant to a Demand Registration) and the registration form to be used may be used for the registration of Registrable Securities (a "PIGGYBACK REGISTRATION"), the Company will give

prompt written notice to all holders of Registrable Securities of its intention to effect such a registration and will include in such registration (subject to the priorities set forth in paragraphs 2(c) and 2(d) below) all Registrable Securities with respect to which the Company has received written requests for inclusion therein within 20 business days after the receipt of the Company's notice.

(b) PIGGYBACK EXPENSES. The Registration Expenses of the holders of Registrable Securities in all Piggyback Registrations will be paid by the Company in accordance with paragraph 5 hereof.

(c) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering, the Company will include in such registration (i) first, the securities the Company proposes to sell, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of shares of Registrable Securities owned by such holders, and (iii) third, other securities requested or permitted to be included in such registration.

(d) PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities (other than a Demand Registration), and the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such registration exceeds the number which can be sold in such offering, the Company will include in such registration (i) first, the securities requested to be included therein by the holders requesting such registration, (ii) second, the Registrable Securities requested to be included in such registration, pro rata among the holders of such Registrable Securities on the basis of the number of shares of Registrable Securities offered for sale by such holders and (iii) third, other

securities requested or permitted to be included in such registration.

(e) SELECTION OF UNDERWRITERS. The Company shall select the investment banker(s) and manager(s) for any Piggyback Registration which is an underwritten offering, subject to the approval of the holders of a majority of the Registrable Securities (which approval shall not be unreasonably withheld).

(f) OTHER REGISTRATIONS. If the Company has previously filed a registration statement with respect to Registrable Securities pursuant to paragraph 1 or pursuant to this paragraph 2, and if such previous registration has not been withdrawn or abandoned, the Company will not file or cause to be effected any other registration of any of its equity securities or securities convertible or exchangeable into or exercisable for its equity securities under the Securities Act (except on Form S-8 or any successor form) , whether on its own behalf or at the request of any holder or holders of such securities, until a period of at least six months has elapsed from the effective date of such previous registration.

3. HOLDBACK AGREEMENTS.

(a) Each holder of Registrable Securities agrees not to effect any public sale or distribution of equity securities of the Company, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and the 120-day period beginning on the effective date of any underwritten public offering of equity securities of the Company (except as part of such underwritten registration), unless the underwriters managing the registered public offering otherwise agree.

(b) The Company agrees (i) not to effect any public sale or distribution of its equity securities, or any securities convertible into or exchangeable or exercisable for such securities, during the seven days prior to and during the 120-day period beginning on the effective date of any underwritten Demand Registration or any underwritten Piggyback Registration (except as part of such underwritten registration or pursuant to registrations

on Form S-8 or any successor form), unless the underwriters managing the registered public offering otherwise agree, and (ii) to cause each holder of its equity securities (or any securities convertible into or exchangeable or exercisable for such securities) in any purchase from the Company consummated at any time after the date of this Agreement (other than in a registered public offering) to agree not to effect any public sale or distribution of any such securities during such period (except as part of such underwritten registration, if otherwise permitted), unless the underwriters managing the registered public offering otherwise agree.

4. REGISTRATION PROCEDURES. Whenever the holders of Registrable Securities have requested that any Registrable Securities be registered pursuant to this Agreement, the Company will use its best efforts to effect the registration and the sale of such Registrable Securities in accordance with the intended method of disposition thereof, and pursuant thereto the Company will as expeditiously as possible:

(a) prepare and file with the Securities and Exchange Commission a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become effective (provided that before filing a registration statement or prospectus or any amendments or supplements thereto, the Company will furnish to the counsel selected by the holders of a majority of the Registrable Securities covered by such registration statement copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel);

(b) prepare and file with the Securities and Exchange Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for a period of not less than nine months and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement during such period in accordance with the intended methods of disposition by the sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities such number of copies of such registration statement, each amendment and supplement thereto, the prospectus included in such registration statement (including each preliminary prospectus) and such other documents as such seller may reasonably request in order to facilitate the disposition of the Registrable Securities owned by such seller;

(d) use its best efforts to register or qualify such Registrable Securities under such other securities or blue sky laws of such jurisdictions as any seller reasonably requests and do any and all other acts and things which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the Registrable Securities owned by such seller (provided that the Company will not be required to (i) subject itself to taxation in any jurisdiction in which it would not otherwise be subject to taxation but for this subparagraph or (ii) consent to general service of process in any jurisdiction);

(e) notify each seller of such Registrable Securities, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement contains an untrue statement of a material fact or omits any fact necessary to make the statements therein not misleading, and, at the request of any such seller, the Company will prepare a supplement or amendment to such prospectus so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus will not contain an untrue statement of a material fact or omit to state any fact necessary to make the statements therein not misleading;

(f) cause all such Registrable Securities to be listed on each securities exchange on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all such Registrable Securities not later than the effective date of such registration statement;

(h) enter into such customary agreements (including underwriting agreements in customary form) and take all such other actions as the holders of a majority of the Registrable Securities being sold or the underwriters, if any, reasonably request in order to expedite or facilitate the disposition of such Registrable Securities (including, without limitation, effecting a stock split or a combination of shares);

(i) make available for inspection by any seller of Registrable Securities, any underwriter participating in any disposition pursuant to such registration statement, and any attorney, accountant or other agent retained by any such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement;

(j) use its best efforts to cause such Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the sellers thereof to consummate the disposition of such Registrable Securities;

(k) obtain a cold comfort letter from the Company's independent public accountants in customary form and covering such matters of the type customarily covered by cold comfort letters as the holders of a majority of the Registrable Securities being sold reasonably request (provided that such Registrable Securities constitute at least lot of the securities covered by such registration statement); and

(l) make generally available to its security holders an earnings statement satisfying the provisions of Section 11(a) of the Securities Act no later than 90 days after the end of the 12-month period beginning with the first-month of the Company's first fiscal quarter commencing after the effective date of the registration statement, which statements shall cover said 12-month period.

5. REGISTRATION EXPENSES.

(a) All expenses incident to the Company's performance of or compliance with this Agreement, including without limitation all registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, messenger and delivery expenses, and fees and disbursements of counsel for the company and all independent certified public accountants underwriters (excluding discounts and commissions as set forth in paragraph 5(c) below) and other Persons retained by the Company (all such expenses being herein called "REGISTRATION EXPENSES"), will be borne by the Company. Registration Expenses shall also include the Company's internal expenses (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit or quarterly review, the expense of hiring any experts, the expense of obtaining a "cold comfort" letter from the Company's outside auditors, the expense of any liability insurance and the expenses and fees for listing the securities to be registered on each securities exchange on which similar securities issued by the Company are then listed.

(b) In connection with each Demand Registration, other than a Preferred Long-Form Registration hereunder, and each Piggyback Registration, the Company will reimburse the holders of Registrable Securities covered by such registration for out of pocket expenses of such holders and the reasonable fees and disbursements of one counsel chosen by the holders of a majority of such Registrable Securities. In connection with one Preferred Long-Form Registration commenced after such time as the Company has had an effective Registration Statement on Form S-1 on file with the Securities and Exchange Commission, the Company will reimburse the holders of Registrable Securities covered by such registration for out of pocket expenses and the reasonable fees and disbursements of one counsel chosen by the holders of a majority of such Registrable Securities.

(c) Each holder of securities included in any registration hereunder will pay any discounts and commissions attributable to the registration and sale of such holder's securities incurred upon the sale of such securities.

6. INDEMNIFICATION.

(a) The Company agrees to indemnify, to the extent permitted by law, each holder of Registrable Securities, its officers and directors and each Person who controls such holder (within the meaning of the Securities Act) against all losses, claims, damages, liabilities and expenses caused by any untrue or alleged untrue statement of material fact contained in any registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same are caused by or contained in any information furnished in writing to the Company by such holder expressly for use therein or by such holder's failure to deliver a copy of the registration statement or prospectus or any amendments or supplements thereto after the Company has furnished such holder with a sufficient number of copies of the same. In connection with an underwritten offering, the Company will indemnify such underwriters, their officers and directors and each Person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the holders of Registrable Securities.

(b) In connection with any registration statement in which a holder of Registrable Securities is participating, each such holder will furnish to the Company in writing such information and affidavits as the Company reasonably requests for use in connection with any such registration statement or prospectus and, to the extent permitted by law, will indemnify the Company, its directors and officers and each Person who controls the Company (within the meaning of the Securities Act) against any losses, claims, damages, liabilities and expenses resulting from any untrue or alleged untrue statement of material fact contained in the registration statement, prospectus or preliminary prospectus or any amendment thereof or supplement thereto or any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein not misleading, but only to the extent that such untrue statement or omission is contained in any information or affidavit so furnished in writing by such holder; provided that the obligation to indemnify will be several,

not joint and several, among such holders of Registrable Securities and the liability of each such holder of Registrable Securities will be in proportion to and limited to the net amount received by such holder from the sale of Registrable Securities pursuant to such registration statement.

(c) Any Person entitled to indemnification hereunder will (i) give prompt written notice to the indemnifying party of any claim with respect to which it seeks indemnification; provided, however, that failure to give such notice will not prejudice such Person's right to indemnification from the indemnifying party, except as to any losses suffered by such Person which are attributable to such Person's failure to promptly give such notice to such indemnifying party and (ii) unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist with respect to such claim, permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party. If such defense is assumed, the indemnifying party will not be subject to any liability for any settlement made by the indemnified party without its consent (but such consent will not be unreasonably withheld). An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim.

(d) The indemnification provided for under this Agreement will remain in full force and effect regardless of any investigation made by or on behalf of the indemnified party or any officer, director or controlling Person of such,indemnified party and will survive the transfer of securities and the termination of this Agreement. The Company also agrees to make such provisions, as are reasonably requested by any indemnified party, for contribution to such party in the event the Company's indemnification is unavailable for any reason.

7. PARTICIPATION IN UNDERWRITTEN REGISTRATIONS. No Person may participate in any registration hereunder which is underwritten unless such Person (a) agrees to sell such Person's securities on the basis provided in any underwriting arrangements approved by the Person or Persons entitled hereunder to approve such arrangements and (b) completes and executes all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements.

8. DEFINITIONS.

(a) The term "AFFILIATE" of a specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person and, in the case of a Person who is an individual, shall include members of such specified Person's immediate family and trusts, if the trustee and all beneficiaries of such trust are such specified Person or member of such Person's immediate family.

(b) The term "CLASS A PREFERRED" means the Company's Class A Preferred Stock, par value $0.01 per share.

(c) The term "CLASS B PREFERRED" means the Company's Class B Preferred Stock, par value $0.01 per share.

(d) The term "CLASS C PREFERRED" means the Company's Class C Preferred Stock, par value $0.01 per share.

(e) The term "CLASS D PREFERRED" means the Company's Class D Preferred Stock, par value $0.01 per share.

(f) The term "CLASS E PREFERRED" means the Company's Class E Preferred Stock, par value $0.01 per share.

(g) The term "CLASS F PREFERRED" means the Company S Class F Preferred Stock, par value $0.01 per share.

(h) The term "CLASS H PREFERRED" means the Company S Class H Preferred Stock, par value $0.01 per share.

(i) The term "CLASS I PREFERRED" means the Company's Class I Preferred Stock, par value $0.01 per share.

(j) The term "COMMON STOCK" means the Company's Common Stock, par value $0.01 per share.

(k) The term "REGISTRABLE SECURITIES" means (i) any Common Stock issued upon conversion of the Preferred Stock or exercise of the Warrants, and (ii) any Common Stock issued or issuable with respect to the securities referred to in clause (i) by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization. As to any particular Registrable Securities, such securities will cease to be Registrable Securities when they have been W effectively registered under the Securities Act and disposed of in accordance with the registration statement covering them or (ii) sold to the public through a broker-dealer or market-maker in compliance with Rule 144 (or any similar rule then in force). For purposes of this Agreement, any Person who holds Preferred Stock will be deemed to be the holder of the Registrable Securities obtainable upon conversion of the Preferred Stock regardless of any restriction on the conversion of the Preferred Stock then in effect.

(1) The term "PREFERRED STOCK" means the Class A Preferred, the Class B Preferred, the Class C Preferred, the Class D Preferred, the Class E Preferred, the Class F Preferred, the Class H Preferred, and the Class I Preferred.

(m) The term "WARRANTS" means the warrants exercisable for shares of Common Stock issued to the purchasers of the Class F Preferred pursuant to the Class F Purchase Agreement.

(n) Unless otherwise expressly stated herein, all other capitalized terms used contained herein have the meanings set forth in the Asset Purchase Agreement.

9. MISCELLANEOUS.

(a) NO INCONSISTENT AGREEMENTS. The Company will not hereafter enter into any agreement with respect to its securities which is inconsistent with the rights granted to the holders of Registrable Securities in this Agreement.

(b) ADJUSTMENTS AFFECTING REGISTRABLE SECURITIES. The Company will not take any action, or permit any change to occur, with respect to its securities which would adversely affect the ability of the holders of Registrable Securities to include such Registrable Securities in a registration undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration (including, without limitation, effecting a stock split or a combination of shares).

(c) REMEDIES. Any Person having rights under any provision of this Agreement will be entitled to enforce such rights specifically, to recover damages caused by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law.

(d) AMENDMENTS AND WAIVERS. The provisions of this Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of holders of at least a majority of the Registrable Securities, except that any amendment to or waiver of any provision hereof which would (i) otherwise affect the right of State Farm to effect a Preferred Long-Form Registration hereunder shall not be effective unless the Company has obtained the written consent of State Farm, (ii) otherwise affect the right of Baxter to effect the Baxter Long-form Registration hereunder shall not be effective unless the Company has obtained the written consent of Baxter and (iii) materially and adversely affect any class of Preferred Stock in a manner which is not substantially similar to the effect on all classes of Preferred Stock shall not be effective unless the Company has obtained the written consent of the holders of a majority of each such class.

(e) SUCCESSORS AND ASSIGNS. All covenants and agreements in this Agreement by or on behalf of any of the parties hereto will bind and inure to the benefit of the respective successors and assigns of the parties hereto whether so expressed or not. In addition, whether or not any express assignment has been made, the provisions of this Agreement which are for the benefit of purchasers or holders of Registrable Securities are also for the benefit of, and enforceable by, any subsequent holder of Registrable Securities.

(f) AMENDMENT OF PRIOR AGREEMENTS. This Agreement amends and restates in its entirety the Class H Registration Agreement.

(g) NOTICES. The paragraph entitled "NOTICES" is hereby incorporated by reference from (i) the Stock Purchase Agreement dated December 18, 1989 between the Company and the holders of the Class A Preferred, as amended, (ii) the Class B Purchase Agreement between the Company and the holders of the Class B Preferred dated November 14, 1990, as amended, (iii) the several Class C Purchase Agreements between the Company and the holders of the Class C Preferred dated July 10, 1991 and August 21, 1991, as amended, (iv) the Class D Purchase Agreement between the Company and the holders of the Class D Preferred dated June 25, 1992, as amended, (v) the Class E Preferred Stock Purchase Agreement dated as of October 12, 1993 between the Company and Baxter, as amended, (vi) the Class F Purchase Agreement between the Company and the holders of the Class F Preferred dated March 16, 1994, as amended, (vii) the Asset Purchase Agreement between, inter alia, the Company and the holders of the Class H Preferred, dated September 29, 1994, and (viii) the Class I Purchase Agreement between the Company and the holders of the Class I Preferred dated as of the date hereof.

(h) INCORPORATION OF PURCHASE AGREEMENT PROVISIONS. The paragraphs entitled "SEVERABILITY," "COUNTERPARTS," "DESCRIPTIVE HEADINGS," and "GOVERNING LAW" of the Class F Purchase Agreement are hereby incorporated in this Agreement by reference and made a part hereof.

* * * * *

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Registration Agreement as of the date first written above.

STERICYCLE, INC.
By: [ILLEGIBLE]
Its: V.P. CFO

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

BAXTER HEALTHCARE CORPORATION

By: MICHAEL A. MUSSALLEN
Michael A. Mussallen
Its: Group Vice President

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

MARQUETTE VENTURE PARTNERS, L.P.

By: MARQUETTE VENTURE ASSOCIATES, L.P.
Its General Partner
By: MARQUETTE MANAGEMENT PARTNERS
Its General Partner

By: JOHN PATRINIE
Its General Partner

Corporate 500 Centre
520 Lake Cook Road, Suite 450
Deerfield, Illinois 60015

with A copy to:

Kirkland & Ellis

200 E. Randolph Drive
Chicago, Illinois 60601
Attn: Willard G. Fraumann, P.C.

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

The undersigned has read the AMended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

JACK W. SCHULER

JACK W. SHULER
Crab Tree Farm - P.O. Box 529
Lake Bluff, IL 60044

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

PETER VARDY
(Signature)

PETER VARDY
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

STATE FARM MUTUAL AUTOMOBILE
INSURANCE COMPANY

By: JOHN S. CONCKLIN
Its: John S. Concklin, Investment Officer

By: WILLIAM J. HESS
Its: William J. Hess, Assistant Secretary

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS OR PARTNERSHIPS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

Name of
Entity: Galen Partners, L.P.

By: /s/ Bruce F. Wesson

Bruce F. Wesson

Its: General Partner of BGW

Partners, L.P., a General Partner

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS OR PARTNERSHIPS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Invest of

Name of
Entity: Galen Partners International, L.P.

By: /s/ Bruce F. Wesson

Bruce F. Wesson

Its: General Partner of BGW

Partners, L.P., a General Partner

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

Name of
Entity: PBB CO for Rex James Botes IRA

By: /s/ [illegible]

Its: Trust Officer

Address

PBB CO for Rex James Botes IRA
P.O. Box 68
Bloomington, IL 61702-0068

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS OR PARTNERSHIPS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

Name of
Entity: Baird Capital Partners, L.P.

By: /s/ [illegible]

Its: Vice President

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS OR PARTNERSHIPS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Investor

Name of
Entity: RWBCO II, L.P.

By: /s/ Jon E. Coulten

Its: Vice President

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ Ralph M. Segall
- ----------
(Signature)

Ralph M. Segall
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ G. F. Kasten, Jr.
- ----------
(Signature)

G. F. Kasten Jr.
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ James D. Bell
- --
(Signature)

James D. Bell
- --
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ William H. Schield Jr.
- ----------
(Signature)

William H. Schield Jr.
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ Robert M. Reardon
- ----------
(Signature)

Robert M. Reardon
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ [Illegible]
- ----------
(Signature)

- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ Irwin W. Horwitch
- ----------
(Signature)

Irwin W. Horwitch
Linda Horwitch
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser

/s/ Herbert A. P. Doree
- ----------
(Signature)

Herbert A. P. Doree
- ----------
(Print or type name)

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

Purchaser Davis U. Merwin

Name of
Entity: The Northern Trust Company, as custodian

By: /s/ Kathleen M. Sullivan

Its: Trust Officer

Address

50 South LaSalle Street
- ---
Chicago, IL 60675
- ---

- ---

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of Entity: SUSAN STEIN ELMENDORF

By: [Illegible]

Its: AS CUSTODIAN

Address

FIDUCIARY TRUST CO. INTL

TWO WORLD TRADE CENTER

NEW YORK, N.Y. 10048

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of Entity: SYDNEY STEIN TRUST U/A/D 9/9/81

By: [Illegible]

Its: AS CUSTODIAN

Address

FIDUCIARY TRUST CO. INTL
- ---

TWO WORLD TRADE CENTER
- ---

NEW YORK, N.Y. 10048
- ---

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of: THE MARGARET E. EARLY MEDICAL
Entity: RESEARCH TRUST

By: [Illegible]

Its: TRUSTEE

Address

ELI R. DUBROW
---

611 WEST SIXTH STREET - 30th FLOOR

LOS ANGELES, CALIFORNIA 90017

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of Entity: SHIRLEY M. WINTER LIVING TRUST dated 3/27/83

By: SHIRLEY M. WINTER, [Illegible]

Its: CO-TRUSTEES

Address

F.H. WINTER
---

114 SEAGULL LN

SARASOTA FL 34236

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of
Entity: JASTLA & CO.

By: [Illegible]

Its: PARTNER

Address

c/o NationsBank Trust Company, N.A.

Attn: Mrs. L. Christensen (DCl-703-01-03)

730-15th STREET, N.W.

Washington, D.C. 20005

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY CORPORATIONS, PARTNERSHIPS,
TRUSTS, AND OTHER ENTITIES

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

Name of
Entity: MODEL CHARITABLE LEND TRUST

By: PETE MODEL

Its: TRUSTEE

Address

c/o PETE MODEL
---

500 EAST 63 ST. 24K

NEW YORK, NY 10021

SIGNATURE PAGE TO AMENDED AND RESTATED
REGISTRATION AGREEMENT

SIGNATURE PAGE FOR EXECUTION BY NATURAL PERSONS

The undersigned has read the Amended and Restated Registration Agreement, dated as of October 19, 1994, and hereby agrees to be bound by its terms.

PURCHASER

[Illegible]
- ----------
(Signature)

FRED RAPP
- ----------
(Print or type name)

LAKE COOK OFFICE CENTRE IV
1419 LAKE COOK ROAD
DEERFIELD, ILLINOIS

OFFICE LEASE

BETWEEN

AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO,
AS TRUSTEE UNDER TRUST NO. 57661

Landlord,

and

Stericycle, Inc., a Delaware corporation

Tenant

DATED December 26, 1991

TABLE OF CONTENTS

ATTACHMENTS

LAKE COOK OFFICE CENTRE IV
1419 LAKE COOK ROAD
DEERFIELD, ILLINOIS

OFFICE LEASE

THIS LEASE, made as of the _____ day of December, 1991, WITNESSETH: M & J Wilkow Management Corporation, as agent for the beneficiary of the AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO, not personally out solely as Trustee under Trust Agreement dated May 15, 1983 and known as Trust No. 57661 (herein called "Landlord"), hereby leases to Stericycle, Inc., a Delaware corporation (herein called "Tenant"), and Tenant hereby accepts the premises as outlined on the floor plan attached hereto as Exhibit A known as Suite No. 410 (herein called "Premises") on the fourth (4th) floor of the building commonly known as 1419 Lake Cook Road, Deerfield, Illinois, (herein called "Building") and located in the LAKE COOK OFFICE CENTRE IV (herein called "Center"), for a term (herein called "Term") of seven (7) years and zero (0) months commencing on February 1, 1992 and ending on January 31, 1999, unless sooner terminated as provided herein, paying as rent therefor the sums hereinafter provided, without any setoff, abatement, counterclaim or deduction whatsoever.

IN CONSIDERATION THEREOF, THE PARTIES HERETO COVENANT AND AGREE:

1. BASE RENT. Subject to periodic adjustment as hereinafter provided. Tenant shall pay an annual base rent (herein called "Base Rent") to Landlord for the Premises of See Schedule on page 1(a) hereof Dollars ($_____), payable in equal monthly installments (herein called "Monthly Base Rent") of See Schedule on page 1(a) hereof Dollars ($_____), in advance on the first day of the first full calendar month and on the first day of each calendar month thereafter of the Term, and at the same rate for fractions of a month if the Term shall begin on any date except the first day, or shall end on any day except the last day of a calendar month.

Base Rent, Additional Rent (as hereinafter defined), Additional Rent Progress Payment (as hereinafter defined) and all other amounts however occurring or described becoming due from Tenant to Landlord hereunder (herein collectively called the "Rent") shall be paid in lawful money of the United States to Landlord at the office of Landlord, or as otherwise designated from time to time by written notice from Landlord to Tenant. Concurrently with the execution hereof, Tenant shall pay Landlord Monthly Base Rent for the first calendar month of the Term together with the Security Deposit pursuant to Section 28 hereof.

2. ADDITIONAL RENT. In addition to paying the Base Rent specified in Section 1 hereof, Tenant shall also pay as additional rent the amounts determined in accordance with this Section 2 ("Additional Rent"):

(a) DEFINITIONS. As used in this Lease,

(i) "Adjustment Date" shall mean the first day of the Term and each January 1 thereafter falling within the Term.

(ii) "Adjustment Year" shall mean each calendar year during which an Adjustment Date falls.

(iii) "Expenses" shall mean and include those reasonable costs and expenses paid or incurred by or on behalf of the Landlord of every kind and nature for owning, managing, operating, maintaining and repairing the Building, the land upon which the Building stands (herein called "Land") and the personal property used in conjunction therewith (said Building, Land and personalty being herein collectively called the "Project"), including (without limitation) the cost of electricity, steam, water, fuel, heating, lighting, plumbing, air conditioning, window cleaning, janitorial service, insurance, including but not limited to, fire, extended coverage, liability, workmen's compensation, elevator, or any other insurance carried in good faith by the Landlord and applicable to the Project, painting, uniforms, customary management fees, supplies, sundries, sales or use taxes on supplies or services, cost of wages and salaries of all persons engaged in the operation, maintenance and repair of the Project, and so-called fringe benefits, including social security taxes, unemployment insurance taxes, cost for providing coverage for disability benefits, cost of any pensions, hospitalization, welfare or retirement plans, or any other similar or like expenses incurred under the provisions of any collective bargaining agreement, or any other cost or expense which Landlord pays or incurs to provide benefits for employees engaged in the operation, maintenance and repair of the Project, the charges of any independent contractor who, under contract with the Landlord or its representatives, does any of the work of operating, maintaining or repairing of the Project, legal and accounting expenses, including, but not to be limited to, such expenses as relate to seeking or obtaining reductions in and

Base Rent Schedule

The following schedule represents the Base Rent payable throughout the lease term:

Period	Annual Base Rent	Monthly Base Rent
2/1/92-1/31/93	$104,000.04	$ 8,666.67
2/1/93-1/31/94	$107,120.04	$ 8,926,67
2/1/94-1/31/95	$114,281.76	$ 9,523.48
2/1/95-1/31/96	$123,351.96	$10,279.33
2/1/96-1/31/97	$127,052.52	$10,587.71
2/1/97-1/31/98	$130,898.28	$10,908.19
2/1/98-1/31/99	$132,276.84	$11,023.07

refunds of real estate taxes the cost of providing rubbish and snow removal services, the cost of landscaping maintenance, including, but not limited to, grass cutting, trimming, replanting and replacement costs, expenses applicable and chargeable to the Project under any reciprocal easement or other agreements relating to any frontage road, common parking and ingress and egress areas and other common facilities appurtenant to the Project and other office buildings in the Center including the Conference Center in the Center located between the buildings 1415 and 1417 Lake Cook Road or any other expense or charge, whether or not hereinbefore mentioned, which in accordance with generally accepted accounting and management principles respecting non-institutional first-class office buildings in the Chicago metropolitan area, would be considered as an expense of owning, managing, operating, maintaining or repairing the Project. Expenses shall not include costs or other items included within the meaning of the term "Taxes" (as hereinafter defined), costs of alterations of the premises of tenants of the Building, costs of capital improvements to the Project, depreciation charges, interest and principal payments on mortgages, ground rental payments, real estate brokerage and leasing commissions and any expenditures for which Landlord has been reimbursed (other than pursuant to rent adjustment provisions in leases), except as hereinafter provided.

Notwithstanding anything contained in this clause (iii) of Section 2(a) to the contrary.

(B) If the Building is not ninety-five percent (95%) occupied by tenants during all or a portion of any Adjustment Year, then Landlord shall make an appropriate adjustment for such year of the components of Expenses which may vary depending upon the occupancy level of the Building, employing generally accepted accounting and management principles. Any such adjustments shall also be deemed expenses paid or incurred by Landlord and included in Expenses for such year, as if the Building had been ninety-five percent (95%) occupied and the Landlord had paid or incurred such expenses, to the end that the actual amounts of such variable components of Expenses be fairly borne by the tenants occupying the Building.

(C) If any item of Expenses, though paid or incurred in one year, relates to more than one calendar year, at the option of Landlord such item may be proportionately allocated among such related calendar years.

(iv) "Taxes" shall mean real estate taxes, assessments (whether they be general or special), sewer rents, rates and charges, transit taxes, taxes based upon the receipt of rent, and any other federal, state or local governmental charge, general, special, ordinary or extraordinary (but not including income or franchise taxes (other than personal property replacement income taxes) or any other taxes imposed upon or measured by the Landlord's income or profits, except as provided herein), which may now or hereafter be levied, assessed, or imposed against, or in connection with the ownership, leasing or operation of the Building or the Land, or both. For purposes of this Section, the Building and the Land are herein collectively called the "Real Property."

Notwithstanding the foregoing,

(B) Notwithstanding the year for which any such taxes or assessments are levied, (i) in the case of special taxes or assessments which may be payable in installments, the amount of each installment, plus any interest payable thereon, paid during a calendar year shall be included in Taxes for that year, (ii) if any taxes or assessments payable during any calendar year shall be computed with respect to a period in excess of twelve calendar months, then taxes or assessments applicable to the excess period shall be included in Taxes for the year in which payable, and (iii) except as otherwise provided in the preceding clauses (i) and (ii), all reference to taxes for a particular year shall be deemed to refer to all taxes levied, assessed or imposed for such year without regard to when such taxes are due and payable.

(C) Taxes shall also include any personal property taxes (attributable to the calendar year in which paid) imposed upon the furniture, fixtures, machinery, equipment, apparatus, systems and appurtenances used in connection with the Real Property or Project or the operation thereof.

(D) If the Building is not ninety-five (95%) occupied by tenants during all or a portion of any Adjustment Year, then Landlord shall make an appropriate adjustment for such year of the components of Taxes which may vary depending upon the occupancy level of the Building, employing generally accepted accounting and management principles. Any such adjustments shall also be deemed taxes levied, assessed or imposed against the Building and included in Taxes for such year, as if the Building had been ninety-five percent (95%) occupied and such taxes were levied or assessed for such year, to the end that the actual amounts of such Taxes be fairly borne by the tenants occupying the Building.

(v) "Rentable Area of the Building" shall mean the sum of the areas on all floors of the Building computed by measuring to the inside face of the exterior glass on each entire floor, plus mechanical space, common service areas available for use by all tenants in the Building, reception and lobby areas, vending machine and commissary areas and loading docks and excluding only public stairs, elevator shafts, flues, stacks, pipe shafts and vertical ducts measured from the outside wall surface of such spaces ("vertical penetrations"). No deduction shall be made for columns or projections necessary to the Building. Rentable Area of the Building shall be deemed to be 101,775 square feet.

(vi) "Rentable Area of the Premises" shall mean (A) if this lease is for an entire floor, the area of the entire floor measured to the inside finished surface of the exterior glass, excluding vertical penetrations, plus a proportionate share of building mechanical space and common service areas in the Building, or (B) if this lease if for less than an entire floor, the area measured from the inside finished surface of the exterior glass to the center line of all demising partitions and to the inside finished surface of the office side of corridor and other permanent walls, plus (a) a proportionate share of public areas (including corridors, elevator lobbies, toilets, mechanical spaces and janitor, electrical and telephone closets) on the floor housing the Premises and (b) a proportionate share of mechanical space and common service areas in the Building, in maxing the calculations pursuant to (A) or (B) above, no deduction shall be made for columns or projections necessary to the Building. Rentable Area of the Premises shall be deemed to be 7,256 square feet.

(vii) "Tenant's Proportionate Share" shall mean seven and 13/100th (7.13%) percent (subject to modification as hereinafter provided), which is the percentage obtained by dividing the Rentable Area of the Premises by the Rentable Area of the Building. Tenant's Proportionate Share shall be modified in the event the final design of the Building is hereafter modified such that Rentable Area of the Premises or Rentable Area of the Building, or both, differs from the square footage set forth in Sections 2(a)(v) and 2(a)(vi) above. In such event, Landlord shall recalculate Tenant's Proportionate Share based upon such modification or change for the balance of such Adjustment Year and the remainder of the Term and shall notify Tenant of such recomputed Tenant's Proportionate Share. Tenant's Proportionate Share shall not be modified in the event the Rentable Area of the Premises or the Rentable Area of the Building is more or less than the square footage set forth in Sections 2(a)(v) and 2(a)(vi) due to minor variations resulting from actual construction provided such variations does not exceed three percent (3%) in either case. In the event any item of Expense is included as a part of the Rent Adjustment for tenants of the Building and a tenant of the Building is responsible for the total amount of such Expense item with respect to said tenant's premises (e.g. if Landlord shall have no obligation to furnish cleaning and janitorial service for said tenant's premises and the Landlord includes the cost of such service for all other Tenants' premises as an item of Expense as a part of Rent Adjustment), the Rentable Area of such tenant's premises shall be deducted form the Rentable Area of the Building (for purposes of calculating the remaining tenants' Proportionate Share with respect only to such item of expense) and such item of Expense shall be allocated only among said remaining tenants.

(xi) "Additional Rent" shall mean all amounts determined pursuant to this Section 2, including any amounts payable by Tenant to Landlord on account thereof.

(b) COMPUTATION OF ADDITIONAL RENT.

Tenant shall pay Additional Rent for each Adjustment Year determined as hereinafter set forth. Additional Rent payable by Tenant with respect to each Adjustment Year during which an Adjustment Date falls shall include the following amounts:

(i) Except as hereinafter provided in (c)(i)(D) below, the product of the Tenant's Proportionate Share, multiplied by the amount of Taxes in excess of $356,212.50 and Expenses in excess of $534,318.75 for such Adjustment Year (said product being called the "Tax and Expense Adjustment"); (Notwithstanding the foregoing, Tenant shall have no obligation to pay any additional rent in respect of Expenses attributable to calendar year 1992.)

(c) PAYMENTS OF ADDITIONAL RENT; PROJECTIONS.

Tenant shall pay Additional Rent to Landlord in the manner hereinafter provided.

(i) TAX AND EXPENSE ADJUSTMENT. Tenant shall make payments on account of the Tax and Expense Adjustment (any such payment with respect to any Adjustment Year being also called "Additional Rent Progress Payment") effective as of the Adjustment Date for each Adjustment Year as follows:

(A) Landlord may, prior to each Adjustment Date or from time to time during the Adjustment Year in which such Adjustment Date falls, deliver to Tenant a written notice or notices ("Projection Notice") setting forth (1) Landlord's reasonable estimates, forecasts or projections (collectively, the "Projections") of Taxes and Expenses for such Adjustment Year based on Landlord's budgets of Expenses and estimate of Taxes, and (2) Tenant's Additional Rent Progress Payment for such Adjustment Year based upon the Projections. Landlord's budgets of Expenses and the Projections based thereon shall assume full occupancy and use of the Building and may be revised by Landlord from time to time based on changes in rates and other criteria which are components of budget items.

(B) Until such time as Landlord furnishes a Projection Notice for an Adjustment Year. Tenant shall pay to Landlord a monthly installment of Additional Rent Progress Payment at the time of each payment of Monthly Base Rent equal to the greater of the latest monthly installment of Additional Rent Progress Payment or one-twelfth (1/12) of Tenant's latest determined Tax and Expense Adjustment. On or before the first day of the next calendar month following Landlord's service of a Projection Notice, and on or before the first day of each month thereafter, Tenant shall pay to Landlord one-twelfth (1/12) of the Additional Rent Progress Payment shown in the Projection Notice. Within fifteen (15) days following Landlord's service of a Projection Notice, Tenant shall also pay Landlord a lump sum equal to the Additional Rent Progress Payment shown in the Projection Notice less (1) any previous payments on account of Additional Rent Progress Payment made during such Adjustment Year and (2) monthly installments on account of Additional Rent Progress Payment due for the remainder of such Adjustment Year.

(C) Tenant agrees to pay monthly installments of Additional Rent Progress Payment at a rate set forth in an initial Projection Notice from and after the commencement date of the Term hereof until either or both components thereof are changed pursuant to a Projection Notice from Landlord as provided above.

(D) The Tax and Expense Adjustment shall be prorated for the portion of the Term falling within the Adjustment Year in which the first Adjustment Date during the Term shall fall, based on the number of days of the Term falling within said Adjustment Year, and shall be similarly prorated for the portion of the Term falling within the Adjustment Year in which the last Adjustment Date during the Term, as the Term may be

extended shall fall. Tenant agrees and acknowledges that Landlord has made no representation, warranty or guaranty relating to the amount of the Tax and Expense Adjustment. The Tenant has had an opportunity to consult with the Landlord with respect to the Taxes and Expenses projected for the operation of the Building and has not relied upon any statements or representations of Landlord in regard thereto in executing this Lease and agreeing to perform the terms and covenants hereof.

(d) TAX AND EXPENSE READJUSTMENTS.

The following readjustments with regard to the Tax Adjustment and Expense Adjustment shall be made by Landlord and Tenant:

(i) Following the end of each Adjustment Year and after Landlord shall have determined the amounts of Taxes and Expenses to be used in calculating the Tax and Expense Adjustment for such Adjustment Year (whether actual or based on Landlord's budgets). Landlord shall notify Tenant in writing ("Landlord's Statement") of such Taxes and Expenses for such Adjustment Year. If the Tax and Expense Adjustment owed for such Adjustment Year exceeds the Additional Rent Progress Payment paid by Tenant during such Adjustment Year, then Tenant shall, within thirty (30) days after the date of Landlord's Statement, pay to Landlord an amount equal to the excess of the Tax and Expense Adjustment over the Additional Rent Progress Payment paid by Tenant during such Adjustment Year. If the Additional Rent Progress Payment paid by Tenant during such Adjustment Year exceeds the Tax and Expense Adjustment owed for such Adjustment Year, then Landlord shall credit such excess to Rent payable after the date of Landlord's Statement, or may, at its option, credit such excess to any Rent then due and owing, until such excess has been exhausted. If this lease shall expire prior to full application of such excess, Landlord shall pay to Tenant the balance thereof not theretofore applied against Rent and not reasonably required for payment of Additional Rent for the Adjustment Year in which the lease expires.

(ii) No interest or penalties shall accrue on any amounts which Landlord is obligated to credit or pay to Tenant by reason of this Section 2(d).

(e) BOOKS AND RECORDS

Landlord shall maintain books and records and records showing Expenses and Taxes in accordance with sound accounting and management practices and at the request and expense of Tenant, Landlord shall have same certified by an independent public accounting firm as being fairly rated. If such audit by the accounting firm shows an error in Landlord's calculation whereby Tenant has been charged 4% in excess of what Tenant should have been charged the Landlord shall reimburse Tenant for the audit expenses. Tenant or its representative, at the sole cost and expense of Tenant, shall have the right to examine Landlord's books and records showing Expenses and Taxes upon reasonable prior notice and during normal business hours at any time within forty-five (45) days following the furnishing by the Landlord to the Tenant of Landlord's Statement provided for in Section 2(d). Unless the Tenant shall take written exception to any item within sixty (60) days after the furnishing of the Landlord's Statement containing said item, such Landlord's Statement shall be considered as final and accepted by the Tenant.

(f) PRORATION AND SURVIVAL. With respect to any adjustment Year which does not fall entirely within the Term, Tenant shall be obligated to pay as Rent Adjustment for such Adjustment Year only a prorata share of Rent Adjustment as hereinabove determined, based upon the number of days of the Term falling within the Adjustment Year. Following expiration or termination of this lease, Tenant shall pay any Rent Adjustment due to the Landlord within fifteen (15) days after the date of Landlord's Statement sent to Tenant. Without limitation on other obligations of Tenant which shall survive the expiration of the Term, the obligations of Tenant to pay Rent Adjustment provided for in this Section 2 shall survive the expiration or termination of this lease.

(g) NO DECREASE IN BASE RENT. In no event shall any Rent Adjustment result in a decrease of the Base Rent payable hereunder as set forth in Section 1 hereof.

(h) ADDITIONAL RENT. All amounts payable by Tenant as or on account of Rent Adjustment shall be deemed to be additional rent becoming due under this lease.

3. USE OF PREMISES. Tenant shall use and occupy the Premises for general office purposes for general administrative purposes and for no other use or purpose.

4. PRIOR OCCUPANCY. Landlord may authorize Tenant to take possession of all or any part of the Premises prior to the beginning of the Term. If Tenant does take possession pursuant to authority so given, all of the covenants and conditions of this lease shall apply to and shall control such pre-Term occupancy. Rent for such pre-Term occupancy shall be paid upon occupancy and on the first day of each calendar month thereafter at the rate set forth in Section 1 and Section 2 hereof. If the Premises are occupied for a fractional month, Rent shall be prorated on a per diem basis.

5. SERVICES. The Landlord, as long as the Tenant is not in default under any of the covenants of this lease, shall furnish:

(a) Air-cooling and heating when necessary to provide a temperature condition required, in Landlord's judgment, for comfortable occupancy of the Premises under normal business operations, daily from 8:00 A.M. to 6:00 P.M. (Saturdays 8:00 A.M. to 1:00 P.M.) Sundays and holidays excepted. Wherever heat generating machines or equipment are used by Tenant in the Premises, including, without limitation extra lighting and electrical fixtures in excess of Building Standard work described in the Work Letter attached hereto (hereinafter described), which affect the temperature otherwise maintained by the air-cooling system, Landlord reserves the right to install supplementary air conditioning units in the premises to the extent Tenant's machines or equipment are generating heat in excess of that which would be generated by ordinary or standard office equipment and machines, and cost of such units and the expense of installation shall be paid by Tenant within ten days after Landlord's demand. The expense resulting from the operation and maintenance of any such supplementary air conditioning system shall be paid by the Tenant to the Landlord as additional rent at rates established by Landlord. In addition, Tenant shall pay for all air-cooling and heating requested and furnished prior to or following the aforesaid hours at rates established by Landlord. Landlord's agreements hereunder are subject to Presidential and governmental restrictions, regulations and guidelines on energy use;

(b) Cold water in common with other tenants from Village of Deerfield mains for drinking, lavatory and toilet purposes drawn through fixtures installed by the Landlord, or by Tenant in the Premises with Landlord's written consent, and hot water in common with other tenants for lavatory purposes from regular Building supply. Tenant shall pay Landlord as additional rent on demand from time to time at rates fixed by Landlord for water furnished for any other purpose. The Tenant shall not waste or permit the waste of water;

(c) Janitor service and customary cleaning in and about the Building and Premises, Saturdays, Sundays and holidays excepted. The Tenant shall not provide any janitor services or cleaning without the Landlord's written consent and then only subject to supervision of Landlord and at Tenant's sole responsibility and by a janitor or cleaning contractor or employees at all times satisfactory to Landlord;

(d) Passenger elevator service in common with Landlord and other tenants, daily from 8:00 A.M. to 6:00 P.M. (Saturdays from 8:00 A.M. to 1:00 P.M.), Sundays and holidays excepted, and freight elevator service, in common with Landlord and other tenants, at such time or times as may be established by Landlord. Normal elevator service, if furnished at times other than as set forth above, shall be optional with Landlord and shall never be deemed a continuing obligation. The Landlord, however, shall provide limited passenger elevator service daily at all times such normal passenger service is not furnished. Operatorless automatic elevator service shall be deemed "elevator service" within the meaning of this paragraph;

(e) Electricity shall not be furnished by Landlord, but shall be furnished by an approved electric utility company serving the area. Landlord shall permit the Tenant to receive such service direct from such utility company at Tenant's cost, and shall permit Landlord's wire and conduits, to the extent available, suitable and safety capable, to be used for such purposes. Tenant shall make all necessary arrangements with the utility company for metering and paying for electric current furnished by it to Tenant and Tenant shall pay for all charges for electric current consumed on the Premises during Tenant's occupancy thereof. The electricity used during the performance of janitor service, the making of alterations or repairs in the Premises, and for the operation of the Building's air conditioning system at times other than as provided in paragraph 5(a) hereof when requested by Tenant, or the operation of any special air conditioning systems which may be required for data processing equipment or for other special equipment or machinery installed by Tenant or otherwise as provided in paragraph 5(a) hereof, shall be paid for by Tenant. Tenant shall make no alterations or additions to the electric equipment or appliances serving or used within the Premises without the prior written consent of the Landlord in each instance. Tenant also agrees to purchase from the Landlord or its agent all lamps, bulbs, ballasts

and starters used in the Premises during the Term hereof. Tenant covenants and agrees that at all times its use of electric current shall never exceed the capacity of the feeders to the Building or the risers or wiring installed therein;

(f) Window washing of all exterior windows in the Premises, both inside and out, weather permitting, at intervals to be determined by Landlord;

(g) Tenant and its employees and visitors may use the unsupervised outdoor uncovered parking area for passenger vehicles allocated from time to time for the Building in common on a "first come, first served" basis with Landlord and other tenants of space in the Building and their employees and visitors, all subject to such reasonable rules and regulations as from time to time may be imposed by Landlord including, without limitation, the right to allocate specific parking spaces to certain tenants in the Building;

(h) Landlord shall provide such extra or additional services as it is reasonably possible for the Landlord to provide, and as the Tenant may from time to time request, within a reasonable period after the time such extra or additional services are requested. Tenant shall, for such extra or additional services, pay 120% of Landlord's actual cost reasonably incurred in providing them, such amount to be considered additional rent hereunder. All charges for such extra or additional services shall be due and payable at the same time as the installment of Base Rent with which they are billed, or if billed separately, shall be due and payable within ten (10) days after such billing. Any such billings for extra or additional services shall include an itemization of the extra or additional services rendered, and the charge for each such service.

Tenant agrees that Landlord and its beneficiary and their agents shall not be liable in damages, by abatement of rent or otherwise, for failure to furnish or delay in furnishing any service when such failure or delay is occasioned, in whole or in part, by repairs, renewals or improvements, by any strike, lockout or other labor trouble, by inability to secure electricity, gas, water, or other fuel at the Building after reasonable effort so to do, by any accident or casualty whatsoever, by the act or default of Tenant or other parties, or by any cause beyond the reasonable control of Landlord; and such failures or delays shall never be deemed to constitute an eviction or disturbance of the Tenant's use and possession of the Premises or relieve the Tenant from paying Rent or performing any of its obligations under this lease, unless such failures or delays prevent Tenant form reasonably conducting its business activities for a period exceeding 45 consecutive days and in such event Tenant shall have the right to pursue the appropriate remedy.

6. CONDITION AND CARE OF PREMISES. Tenant shall have sixty (60) days from Tenant's taking possession of the Premises or any portion thereof to provide Landlord with a punchlist of reasonable items to be corrected and once those items are corrected by Landlord it shall be conclusive evidence against Tenant that the portion of the Premises taken possession of was then in good order and satisfactory condition. No promises of the Landlord to alter, remodel, improve, repair, decorate or clean the Premises or any part thereof have been made, and no representation respecting the condition of the Premises, the Building or the Land, has been made to Tenant by or on behalf of Landlord except to the extent expressly set forth herein, or in a workletter ("Workletter") attached hereto and made a part hereof. Tenant shall not place or allow to be placed any furniture, office equipment or any other article of personal property in the Premises near the glass of any door, partition, wall or window which may be viewed from the atrium outside of the Premises without the prior written consent of the Landlord in each instance. This lease does not grant any rights to light or air over or about the property of Landlord. Except for any damage resulting from any act of Landlord or its employees and agents, and subject to the provisions of Section 14 hereof, Tenant shall at its own expense keep the Premises in good repair and tenantable condition and shall promptly and adequately repair all damage to the Premises caused by Tenant or any of its employees, agents, or invitees, including replacing or repairing all damaged or broken glass, fixtures and appurtenances resulting from any such damage, under the supervision and with the approval of Landlord and within any reasonable period of time specified by Landlord. If Tenant does not do so promptly and adequately, Landlord may, but need not, make such repairs and replacements and Tenant shall pay Landlord the cost thereof on demand.

7. RETURN OF PREMISES. At the termination of this lease by lapse of time or otherwise or upon termination of Tenant's right of possession without terminating this lease. Tenant shall surrender possession of the Premises to Landlord and deliver all keys to the Premises to Landlord and make known to the Landlord the combination of all locks or vaults then remaining in the Premises, and shall return the Premises and all equipment and fixtures of the Landlord therein to Landlord in as good condition as when Tenant originally took possession, ordinary wear, loss or damage by fire or other insured casualty, damage resulting from the act of Landlord or its employees and agents, and (except as provided in this Section 7) alterations made with Landlord's consent excepted, failing which Landlord may restore the Premises and such equipment and fixtures to such condition and Tenant shall pay the reasonable cost thereof to Landlord on demand.

All installations, additions, partitions, hardware, light fixtures, non-trade fixtures and improvements, temporary or permanent, except movable furniture and equipment belonging to Tenant, in or upon the Premises whether placed there by Tenant or Landlord, may be offered to Landlord by Tenant all without compensation, allowance or credit to Tenant; provided, however, that if prior to such termination or within ten (10) days thereafter landlord so directs by notice, Tenant, at Tenant's sole cost and expense, shall promptly remove such of the installations, additions, partitions, hardware, light fixtures, non-trade fixtures and improvements placed in the Premises by tenant as are designated in such notice excluding any additions currently existing upon Tenant's taking possession and repair any damage to the Premises caused by such removal, failing which Landlord may remove the same and repair the Premises and Tenant shall pay

the cost thereof to Landlord on demand.

At the sole option of Landlord, Tenant shall leave in place any floor covering without compensation to Tenant. Tenant shall remove Tenant's furniture, machinery, safes, trade fixtures and other items of movable personal property of every kind and description from the Premises prior to the end of the term or ten (10) days following termination of this lease or Tenant's right of possession, whichever might be earlier, failing which Landlord may do so and thereupon the provisions of Section 16(f) shall apply.

All obligations of Tenant hereunder shall survive the expiration of the Term or sooner termination of this lease.

8. HOLDING OVER. The Tenant shall pay Landlord for each day Tenant retains possession of the Premises or any part thereof after termination of this lease, by lapse of time or otherwise, and amount which is 150% the amount of Rent for a day (computed on a year of 360 days) based on the annual rate of Base Rent and Additional Rent applicable under Sections 1 and 2 to the period in which such possession occurs, and Tenant shall also pay all damages, consequential as well as direct, sustained by Landlord by reason of such retention, but acceptance by Landlord of Rent after such termination shall not of itself constitute a renewal. Nothing in this Section contained, however, shall be construed or operate as a waiver of Landlord's right of re-entry or any other right of Landlord.

9. RULES AND REGULATIONS. Tenant agrees to observe the rights reserved to Landlord contained in Section 10 hereof and agrees, for itself, its employees, agents, clients, customers, invitees and guests, to comply with the rules and regulations sat forth in Exhibit B attached to this lease and made a part hereof and such other rules and regulations as shall be adopted by Landlord pursuant to Section 10(o) of this lease.

Any violation by Tenant of any of the rules and regulations contained in Exhibit B attached to this lease or other Section of this lease, or as may hereafter be adopted by Landlord pursuant to Section 10(o) of this lease, may be restrained; but whether or not so restrained, Tenant acknowledges and agrees that it shall be and remain liable for all damages, loss, costs and expense resulting from any violation by the Tenant of any of said rules and regulations. Nothing in this lease contained shall construed to impose upon Landlord any duty or obligation to enforce said rules and regulations, or the terms, covenants and conditions of any other lease against any other tenant or any other persons, and Landlord and its beneficiary shall not be liable to Tenant for violation of the same by any other tenant its employees, agents, invitees, or by any other person.

10. RIGHTS RESERVED TO LANDLORD. Landlord reserves the following rights, exercisable without notice and without liability to Tenant for damage or injury to property, person or business and without effecting an eviction or disturbance of Tenant's use or possession or giving rise to any claim for setoff or abatement of Rent or affecting any of Tenant's obligations under this lease:

(a) To change the name or street address of the Project.

(b) To install and maintain signs on the exterior and interior of the Building.

(c) To prescribe the location and style of the suite number and identification sign or lettering for the Premises occupied by the Tenant.

(d) To retain at all times, and to use in appropriate instances, pass keys to the Premises.

(e) To grant to anyone the right to conduct any business or render any service in the Building, whether or not it is the same as or similar to the use expressly permitted to Tenant by Section 3 hereof.

(f) To exhibit the Premises at reasonable hours, and to decorate, remodel, repair, alter or otherwise prepare the Premises for reoccupancy at any time after Tenant vacates or abandons the Premises.

(g) To have access for Landlord and other tenants or occupants of the Building to any mail chutes according to the rules of the United States Postal Service.

(h) To enter the Premises at reasonable hours for reasonable purposes, including inspection and supplying janitor service or other service to be provided to Tenant hereunder.

(i) To require all persons entering or leaving the Building during such hours as Landlord may from time to time reasonably determine to identify themselves to watchmen by registration or otherwise, and to establish their right to enter or leave in accordance with the provisions of paragraphs (1) and (10) of Exhibit B attached to this lease. Landlord shall have the right to establish and change from time to time a security control and locking system with respect to entry to and exit from the Building. Landlord shall not be liable in damages for any error with respect to admission to or eviction or exclusion from the Building of any person. In case of fire, invasion, insurrection, mob, riot, civil disorder, public excitement or other commotion, or threat thereof, Landlord reserves the right to limit or prevent access to the Building during the continuance of the same, shut down elevator service, activate elevator emergency controls, or otherwise take such action or preventive measures deemed necessary by Landlord for the safety of the tenants or other occupants of the Building or the protection of the Building and the property in the Building. Tenant agrees to cooperate in any reasonable safety program developed by Landlord.

(j) To control and prevent access to common areas and other non-general public areas pursuant to paragraphs (1) and (10) of Exhibit B attached to this lease.

(k) Provided that reasonable access to the Premises shall be maintained and the business of Tenant shall not be interfered with unreasonably, to rearrange, relocate, enlarge, reduce or change corridors, exits, entrances in or to the Building and the Land and to decorate and to make, repairs, alterations, additions, and improvements, structural or otherwise, in or to the Building, the Land or any part thereof, and any adjacent building, land, street or alley, including for the purpose of connection with or entrance into or use of the Building and the Land in conjunction with any adjoining or adjacent building or buildings, now existing or hereafter constructed, and may for such purposes erect scaffolding and other structures reasonably required by the character of the work to be performed, and during such operations may enter upon the Premises and take into and upon or through any part of the Building, including the Premises, all materials that may be required to make such repairs, alterations, improvements, or additions, and in that connection Landlord may temporarily close public entry ways, other public spaces, stairways or corridors and interrupt or temporarily suspend any services or facilities agreed to be furnished by the Landlord for a period of time not to exceed thirty (30) days to the extent such activity materially interfaces with Tenant's business activities all without the same constituting an eviction of Tenant in whole or in part and without abatement of rent by reason of loss or interruption of the business of Tenant or otherwise and without in any manner rendering Landlord liable for damages or relieving Tenant from performance of Tenant's obligation under this lease. Landlord may at its option make any repairs, alterations, improvements and additions in and about the Building and the Premises during ordinary business hours and, if Tenant desires to have such work done during other than business hours, Tenant shall pay all overtime and additional expenses resulting therefrom.

(l) To designate certain parking spaces and parking areas on the Land or on adjacent land for the exclusive use of one or more tenants in the Building or any adjoining or adjacent building or buildings now existing or hereafter constructed, provided Tenant's usual and customary parking usage is not materially interfered with, to install gates, traffic regulating devices, security systems, and directional signage, make, prescribe and adopt such reasonable rules and regulations, in addition to or other than or by way of amendment or modification of the rules and regulations contained in Exhibit B attached to this lease, relating to use of parking spaces and parking areas including, but not limited to, vehicle size, direction of traffic, loading and unloading of vehicles and the like.

(m) To designate and select agents, employees and contractors to perform services in the Building and on the Land, whether or not affiliated with Landlord.

(n) To install and designate areas for installation of vending machines and collect all revenue derived from the use thereof.

(o) From time to time to prescribe, make and adopt such reasonable rules and regulations, in addition to or other than or by way of amendment or modification of the rules and regulations contained in Rider A attached to this lease or other Sections of this lease, for the protection and welfare of the Building and its tenants and occupants, as the Landlord may determine, and the Tenant agrees to abide by all such rules and regulations.

11. ALTERATIONS. Tenant shall not make alterations in or additions or improvements to the Premises without Landlord's advance written consent in each instance which shall not. All work of the nature herein contemplated shall be at Tenant's expense and done by contractors employed by or on behalf of Landlord which contractors shall have been selected by Landlord after securing competitive bid pricing and shall comply with all insurance requirements and with all ordinances and regulations of the Village of Deerfield or any department or agency thereof, and with the requirements of all statutes and regulations of the State of Illinois or of any department or agency thereof. All required working drawings for Landlord's contractor and specifications shall be prepared by Landlord's architect or engineers at Tenant's expense. In addition, Tenant may utilize its own contractors, architects or engineers only with Landlord's prior written consent withheld and subject to such additional requirements and regulations as Landlord may from time to time reasonably impose. All additions and alterations shall be installed by Tenant in a good and workmanlike manner and only new, high grade materials shall be used. If Tenant shall be permitted to utilize its own contractors, architects or engineers, Tenant shall furnish Landlord with security satisfactory to Landlord for payment of all costs to be incurred in connection with such work.

Subject to obtaining Landlord's prior written approval of its selection and compliance with the further provisions of this paragraph. Tenant may elect to use an architect, at Tenant's sole cost, for the preparation of floor plan layout(s) and other necessary information relating to the desired alterations in or additions or improvements to the Premises, it may do so provided (i) the resulting information shall be sufficiently detailed so that, after written approval by Tenant and Landlord of such floor plan layout(s) and information, Landlord's architect can transfer such detailed information to the working drawings and specifications, (ii) Landlord's building standards are used in all details, and (iii) such floor plan layout(s) and information shall be furnished to Landlord in sufficient time to provide thirty (30) days for Landlord's architect to prepare said working drawings and specifications. Before proceeding with the work of the nature herein contemplated, Landlord shall (i) submit to Tenant the estimate of the

Landlord's contractor of the cost of such work based on said working drawings and specifications, (ii) obtain Tenant's approval to the working drawings and specifications and (iii) obtain Tenant's written request that said work be done.

The costs of such work shall include all labor and materials, general conditions (including but not limited to, demolition and the removal of rubbish and construction debris from the property and the transportation thereof to a dump, building permit fee, (paid supervision, outside hoisting, if any and the like); premium cost of workmen's compensation, public liability

and property damage insurance earned by Landlord's contractors; overhead charges and fees of Landlord's contractors; the charges of Landlord's architect or engineer (i) for preparation and printing of working drawings and specifications and (ii) for supervision of construction; together with ten percent (10%) of all of the costs of such work for overhead and construction management services by Landlord; and reimbursement to Landlord of any other expenses incurred in connection with the work performed for the Tenant.

Landlord or its beneficiary may, at its election, act as general contractor and as one or more of the subcontractors. If Landlord or its beneficiary shall elect to act as general contractor or a subcontractor, the costs of the work performed by the Landlord or its beneficiary in such capacity shall be determined in accordance with the paragraph immediately above.

In the event Landlord shall perform the work for Tenant as aforesaid, Landlord shall not be obligated to proceed with such work until the estimate of the cost of such work is approved in writing by Tenant and the entire cost of such work is paid by Tenant to Landlord in payment for such work as the work progresses. Any deficit shall be paid to Landlord after completion of the work and after Landlord shall have assembled and submitted to Tenant the complete costs thereof.

Prior to commencing any work in connection with alterations or additions, Tenant shall, if it performs such work using its own contractors, furnish Landlord with certificates of insurance evidencing such insurance coverage as required by Landlord from all contractors performing labor and furnishing materials insuring Landlord and its employees, agents and beneficiary against loss, cost, damage or liability arising from or incurred in connection with any such additions or alterations.

12. ASSIGNMENT AND SUBLETTING. Tenant shall not, without the prior written consent of Landlord in each instance which shall not be unreasonably withheld (i) assign, transfer, mortgage, pledge, hypothecate or encumber or subject to or permit to exist upon or be subjected to any lien or charge, this lease or any interest under it, (ii) allow to exist or occur any transfer of or lien upon this lease or the Tenant's interest herein by operation of law, (iii) sublet the Premises or any part thereof, or (iv) permit the use or occupancy of the Premises or any part thereof for any purpose not provided for under Section 3 of this lease or by anyone other than the Tenant and Tenant's employees. In no event shall this lease be assigned or assignable by voluntary or involuntary bankruptcy proceedings or otherwise, and in no event shall this lease or any rights or privileges hereunder be an asset of Tenant under any bankruptcy, insolvency or reorganization proceedings.

Without the prior written approval of Landlord, which shall not be unreasonably withheld Tenant expressly covenants and agrees not to enter into any lease, sublease, license, concession or other agreement for use, occupancy or utilization of the Premises which provides for rental or other payment for such use, occupancy or utilization based in whole or in part on the net income or profits derived by any person from the property leased, used, occupied or utilized (other than an amount based on a fixed percentage or percentages of receipts or sales), and that any such purported lease, sublease, license, concession or other agreement shall be absolutely void and ineffective as a conveyance of any right or interest in the possession, use, occupancy or utilization of any part of the Premises.

Landlord shall not unreasonably withhold or delay its consent to a proposed assignment or sublease except that such consent need not be granted if (a) in the reasonable judgment of Landlord the proposed subtenant or assignee is of a character or engaged in a business which is not in keeping with the standards of Landlord for the Building; (b) in the reasonable judgment of Landlord the purpose for which the proposed subtenant or assignee intends to use the Premises are not in keeping with the standards of Landlord for the Building, or are in violation of the terms of any other leases in the Building, it being understood that the purpose for which the proposed subtenant or assignee intends to use the Premises may not be in violation of this Lease; (c) a subletting will result in there being more than two occupants within the Premises, including Tenant and all subtenants; (d) the premises is not regular in shape with appropriate means of ingress and egress and suitable for normal renting purposes; (e) the proposed subtenant or assignee is either a government (or subdivision or agency thereof) or an occupant of the Building; (f) an assignment is desired and the Premises are less than the entire Premises or less than the remaining Term is being assigned; (g) the assignee or sublessee is not, in the judgment of Landlord, sufficiently financially responsible to perform its obligations under the proposed sublease or assignment; or (h) Tenant is in default under this Lease. The foregoing are merely examples of reasons for which Landlord may reasonably withhold it consent and shall not be deemed exclusive of any permitted reasons for withholding consent, whether similar or dissimilar to the foregoing examples. Any assignment or subletting without the consent of Landlord shall be void and shall, at the option of Landlord, constitute a default under this Lease.

Consent by Landlord to any assignment, subletting, use or occupancy, or transfer shall not operate to relieve the Tenant from any covenant or obligation hereunder except to the extent, if any, expressly provided for in such consent, or be deemed to be a consent to or relieve Tenant, or any such assignee, sublessee, or transferee form obtaining Landlord's consent to any subsequent assignment, transfer, lien, charge, subletting, use or occupancy.

Tenant shall, by notice in writing, advise Landlord of its desire from, on and after a stated date (which shall not be less than thirty (30) days after the

date of Tenant's notice) to assign this lease or sublet any part or all of the Premises for the balance or any part of the Term, and, in such event, Landlord shall have the right, to be exercised by giving written notice to Tenant within fifteen (15) days after receipt of Tenant's notice, to recapture the space described in Tenant's notice and such recapture notice shall, if given, terminate this lease with respect to the space therein described as of the date stated in Tenant's notice. Tenant's said notice shall state the name and address of the proposed subtenant or assignee and a true and complete copy of the proposed sublease or assignment shall be delivered to Landlord with said notice. If Tenant's notice shall cover all of the space hereby demised, and if Landlord shall give the aforesaid recapture notice with respect thereto, the Term of this lease shall expire and end on the date stated in Tenant's notice as fully and completely as if that date had been herein definitely fixed for the expiration of the Term. If Tenant's notice shall cover less than the entire Premises, the space proposed to be sublet and the retained space must be a leasable unit in compliance with all applicable codes and ordinances. If, however, this lease be terminated pursuant to the foregoing with respect to less than the entire Premises, the Rent and the Tenant's Proportionate Share as defined herein shall be adjusted on the basis of the number of rentable square feet retained by Tenant, and this lease as so amended shall continue thereafter in full force and effect.

13. WAIVER OF CERTAIN CLAIMS: INDEMNITY BY TENANT. To the extent not expressly prohibited by law, Tenant releases Landlord and its beneficiaries, and their agents, servants and employees, from and waives all claims for damages to person or property sustained by the Tenant or by any occupant of the Premises, the Building or the Center, or by any other person, resulting directly or indirectly from fire or other casualty, cause or any existing or future condition, defect, matter or thing in or about the Premises, the Building, the Land, the Center or any part thereof, or from any equipment or appurtenance therein, or from any accident in or about the Building or the Land, or from any act or neglect of any tenant or other occupant of the Building or any part thereof or of any other person, including Landlord's agents and servants. This Section 13 shall apply especially, but not exclusively, to damage caused by water, snow, frost, steam, excessive heat or cold, sewerage, gas, odors or noise, or the bursting or leaking of pipes or plumbing fixtures, broken glass, sprinkling or air conditioning devices or equipment, or flooding of basements, and shall apply without distinction as to the person whose act or neglect was responsible for the damage and whether the damage was due to any of the acts specifically enumerated above, or from any other thing or circumstance, whether of a like nature or of a wholly different nature, if any damage to the Premises or the Building or any equipment or appurtenance therein, whether belonging to Landlord or to other tenants or occupants of the Building, results from any act or neglect of the Tenant, its employees, agents or invitees. Tenant shall be liable therefor and Landlord may at its option repair such damage and Tenant shall upon demand by Landlord reimburse Landlord for all costs of such repairs and damages in excess of amounts, if any, paid to Landlord under insurance covering such damages. All personal property belonging to the Tenant or any occupant of the Premises that is in the Building, on the Land or in the Premises shall be there at the risk of the Tenant or other person only and Landlord shall not be liable for damage thereto or theft or misappropriation thereof.

To the extent not expressly prohibited by law, Tenant agrees to hold Landlord and its beneficiaries, and their agents, servants and employees, harmless and to indemnify each of them against claims and liabilities, including reasonable attorneys' fees, for injuries to all persons and damage to or then or misappropriation or loss of property occurring in or about the Premises arising from Tenant's occupancy of the Premises or the conduct of its business or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises or from any breach or default on the part of Tenant in the performance of any covenant or agreement on the part of Tenant to be performed pursuant to the terms of this lease or due to any other act or omission of the Tenant, its agents or employees, but only to the extent of Landlord's liability, if any, in excess of amounts, if any, paid to Landlord under insurance covering such claims or liabilities.

14. DAMAGE OR DESTRUCTION BY CASUALTY. If the Premises or any part of the Building shall be damaged by fire or other casualty and if such damage does not render the Premises or Building materially unfit for Tenant's intended use and enjoyment of the Premises, then Landlord shall proceed to repair and restore with reasonable promptness the same to its prior existing condition, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control. If any such damage render the Premises or Building materially unfit for Tenant's intended use and enjoyment of the Premises, Landlord shall, with reasonable promptness after the occurrence of such damage, estimate the lengths of time that will be required to substantially complete the repair and restoration of such damage and shall by notice advise Tenant of such estimate, if it is so estimated that the amount of time required to substantially complete such repair and restoration will exceed one hundred eighty (180) days from the date such damage occurred, then either Landlord or Tenant shall have the right to terminate this lease as of the date of such damage upon giving notice to the other at any time within twenty (20) days after Landlord gives Tenant the notice containing said estimate (it being understood that Landlord may, if it elects to do so, also give such notice of termination together with the notice containing said estimates. Unless this lease is terminated as provided in the preceding sentence, Landlord shall proceed with reasonable promptness to repair and restore the Premises, subject to reasonable delays for insurance adjustments and delays caused by matters beyond Landlord's control, and also subject to zoning laws and building codes then in effect. Landlord shall have no liability to Tenant, and Tenant shall not be entitled to terminate the lease (except as hereinafter provided) if such repairs and restoration are not in fact completed within the time period estimated by Landlord, as aforesaid, unless the repairs are restoration are still not completed within sixty (60) days after the time period estimated by Landlord.

INSERT (1)

To the extent not expressly prohibited by law, the Landlord releases the Tenant, and its agents and employees, from and waives all claims for damage to person or property sustained by the Landlord and its beneficiaries resulting directly or indirectly from fire or other casualty, cause or any existing or future condition, defect, matter or thing in or about the Premises or the Building or any part thereof, or from any equipment or appurtenance therein, or from any accident in or about the Building, or from any act or neglect of any other tenant or other occupant of the Building or any part thereof to the extent of insurance proceeds received by Landlord for such damage.

To the extent not expressly prohibited by law, Landlord agrees to indemnify and save Tenant, its agents and employees, harmless against any and all claims, liabilities, demands, costs and expenses including reasonable attorneys' fees for the defense thereof for injuries to persons and damage to property occurring in or about the Building other than the Premises arising from Landlord's ownership, use or operation of the Building or from any breach or default on the part of Landlord to be performed pursuant to the terms of this Lease or due to any other act or omission of Landlord, its agents, contractors or employees, except where due to the negligence or intentional wrongful act of Tenant, its employees, agents, contractors, licensees or invitees.

Tenant shall not have the right to terminate this lease pursuant to this Section 14 if the damage or destruction was caused by the gross neglect of Tenant, its agents or employees.

In the event any such fire or casualty damage not caused by the gross neglect of Tenant, its agents or employees, renders the Premises untenantable and if this Lease shall not be terminated pursuant to the foregoing provisions of this Section 14 by reason of such damage, then Rent shall abate during the period beginning with the date of such damage and ending with the date when Landlord tenders the Premises to Tenant as being ready for occupancy. Such abatement shall be in an amount bearing the same ratio to the total amount of Rent for such period as the portion of the Premises to this Section 14. Rent shall be apportioned on a per diem basis and be paid to the date of the fire or casualty.

15. EMINENT DOMAIN. If all or a substantial part of the Building or Premises rendering the Premises materially unfit for Tenant's intended use and enjoyment of the Premises shall be taken or condemned by any competent authority for any public or quasi-public use or purpose, the Term of this lease shall end upon and not before the date when the possession of the part so taken shall be required for such use or purpose, and without apportionment of the award to or for the benefit of Tenant. If any condemnation proceeding shall be instituted in which it is sought to take or damage any part of the Building or the Land, the taking of which would, in Landlord's opinion, prevent the economical operation of the Building, or if the grade of any street, or alley adjacent to the Building is changed by any competent authority, and such taking, damage or change of grade makes it necessary or desirable to remodel the Building to conform to the taking, damage or changed grade, Landlord shall have the right to terminate this lease upon not less than ninety (90) days' notice prior to the date of termination designated in the notice, in either of the events above referred to. Rent at the then current rate shall be apportioned as of the date of the termination. No money or other consideration shall be payable by the Landlord to the Tenant for the right of termination, and the Tenant shall have no right to share in the condemnation award unless a portion of the award is for fixtures, improvements, or alterations to the Premises paid for by Tenant, whether for a partial or total taking, or in any judgment for damages caused by the change of grade. Upon the occurrence of any other taking or condemnation, the term of this lease shall not terminate.

16. DEFAULT: LANDLORD'S RIGHTS AND REMEDIES.

(a) The occurrence of any one or more of the following matters constitutes a Default by Tenant under this lease:

(i) Failure by Tenant to pay Rent, or any installment thereof, within 5 days after notice that same is due;

(ii) Failure by Tenant to pay, within 15 days after notice thereof from Landlord to Tenant, any other moneys due and payable from Tenant under this lease including amounts payable under the Workletter attached hereto;

(iii) Failure by Tenant to observe or perform any of the covenants in respect of assignment and subletting set forth in Section 12;

(iv) Failure by Tenant to cure forthwith, immediately after receipt of notice from Landlord, any hazardous condition which Tenant has created in violation of law or of this lease;

(v) Failure by Tenant to observe or perform any other covenant, agreement, condition or provision of this lease, if such failure shall continue for thirty (30) days after notice thereof from Landlord to Tenant;

(vi) The levy upon, under execution or the attachment by legal process, of the leasehold interest of Tenant, or the filing or creation of a lien in respect of such leasehold interest;

(vii) The Tenant vacates or abandons the Premises or fails to take possession of the Premises when available for occupancy reasonably promptly, whether or not Tenant thereafter continues to pay the Rent due under this lease;

(viii) The Tenant becomes insolvent or bankrupt or admits in writing its inability to pay its debts as they mature, and is unable to pay rent hereunder, or makes an assignment for the benefit of creditors, or applies for or consents to the appointment of a trustee or receiver for the Tenant or for the major part of its property;

(ix) A trustee or receiver is appointed for the Tenant or for the major part of its property and is not discharged within thirty (30) days after such appointment;

(x) Bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any bankruptcy law, or similar law for the relief of debtors, are instituted by or against the Tenant, and, if instituted against the Tenant, are allowed against it or are consented to by it or are not dismissed within sixty (60) days after such institution, and tenant is unable to pay rent hereunder; or

(xi) The misrepresentation by Tenant of a material fact in any document, financial statement, leasing application or other instrument

delivered or disclosed to Landlord in connection with this Lease.

(b) If a Default occurs and is not cured within the appropriate grace period as provided under this Lease, Landlord shall have the rights and remedies hereinafter set forth, which shall be distinct, separate and cumulative and shall not operate to exclude or deprive the Landlord of any other right or remedy allowed it by law:

(i) Landlord may terminate this lease by giving to Tenant notice of the Landlord's election to do so, in which event the Term of this lease shall end, and all right, title and interest of the Tenant hereunder shall expire, on the date stated in such notice;

(ii) Landlord may terminate the right of the Tenant to possession of the Premises without terminating this lease by giving notice to Tenant that Tenant's right of possession shall end on the date stated in such notice, whereupon the right of the Tenant to possession of the Premises or any part thereof shall cease on the date stated in such notice unless otherwise prohibited by law; and

(iii) Landlord may enforce the provisions of this lease and may enforce and protect the rights of the Landlord hereunder by a suit or suits in equity or at law for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate legal or equitable remedy, including recovery of all moneys due or to become due from the Tenant under any of the provisions of this lease.

(c) If Landlord exercises either the remedies provided for in subparagraphs (i) and (ii) of the foregoing Section 16(b), Tenant shall surrender possession and vacate the Premises within forty-five (45) days of the event of default, subject to court order, and deliver possession thereof to the Landlord, and Landlord may then or at any time thereafter re-enter and take complete and peaceful possession of the Premises, with process of law, and Landlord may remove all property therefrom, using such force as may be necessary, without being deemed in any manner guilty of trespass, eviction or forcible entry and detainer and without relinquishing Landlord's right to Rent or any other right given to Landlord hereunder or by operation of law.

(d) If Landlord terminates the right of the Tenant to possession of the Premises without terminating this lease, such termination of possession shall not release Tenant, in whole or in part, from Tenant's obligation to pay the Rent hereunder for the full Term. In addition, Landlord shall have the right, from time to time, to recover from the Tenant, and the Tenant shall remain liable for, all Additional Rent and any other sums thereafter accruing as they become due under this lease during the period from the date of termination of possession stating in such notice to the stated end of the Term. In any such case, the Landlord shall use its best efforts to, relet the Premises or any part thereof for the account of the Tenant for such rent, for such time (which may be for a term extending beyond the Term of this lease) and upon such terms as the Landlord shall reasonably determine and the Landlord shall not be required to accept any tenant offered by the Tenant or to observe any instructions given by the Tenant relative to such reletting. Also in any such case the Landlord may make repairs, alterations and additions in or to the Premises and redecorate the same as is reasonably deemed by the Landlord necessary or desirable to relet the Premises and in connection therewith change the locks to the Premises, and the Tenant shall upon demand pay the cost thereof together with the Landlord's expenses of reletting. Landlord may collect the Rents from any such reletting and apply the same first to the payment of the expenses of reentry, redecoration, repair and alterations and the expenses of reletting and second to the payment of rent herein provided to be paid by the Tenant, and any excess or residue shall operate only as an offsetting credit against the amount of rent as the same thereafter becomes due and payable hereunder, but the use of such offsetting credit to reduce the amount of rent due Landlord, if any, shall not be deemed to give Tenant any right, title or interest in or to such excess or residue and any such excess or residue shall belong to Landlord solely; provided that in no event shall Tenant be entitled to a credit on its indebtedness to Landlord in excess of the aggregate sum (including Base Rent and Additional Rent) which would have been paid by Tenant for the period for which the credit to Tenant is being determined, had no Default occurred. No such re-entry or repossession, repairs, alterations and additions, or reletting shall be construed as an eviction or ouster of the Tenant or as an election on Landlord's part to terminate this lease unless a written notice of such intention be given to Tenant or shall operate to release the Tenant in whole or in part from any of the Tenant's obligations hereunder and the Landlord may, at any time and from time to time, sue and recover judgment for any deficiencies from time to time remaining after the application from time to time of the proceeds of any such reletting.

(e) In the event of the termination of this lease by Landlord as provided for by subparagraph (c) of Section 16(b) Landlord shall be entitled to recover from Tenant all the fixed dollar amounts of rentals accrued and unpaid for the period up to and including such termination date, as well as all other additional sums payable by the Tenant, or for which Tenant is liable or in respect of which Tenant has agreed to indemnify Landlord under any of the provisions of this lease, which may be then owing and unpaid, and all costs and expenses, including court costs and reasonable attorneys fees incurred by Landlord in the enforcement of its rights and remedies hereunder, and, in addition, Landlord shall be entitled to recover as damages for loss of the bargain and not as a penalty (x) the unamortized cost to the Landlord, computed and determined in accordance with generally accepted accounting principles, or the tenant

improvements and alterations, if any, paid for and installed by Landlord pursuant to this Lease, and (y) the aggregate sum which

at the time of such termination represents the excess, if any, of the present value of the aggregate Rents at the same annual rate for the remainder of the Term as then in effect pursuant to the applicable provisions of Sections 1 and 2 of this lease, over the then present value of the then aggregate fair rental value of the Premises for the balance of the Term, such present worth to be computed in each case on the basis of a three percent (3%) per annum discount from the respective dates upon which such rentals would have been payable hereunder had this lease not been terminated, and (z) any damages in addition thereto, including reasonable attorneys' fees and court costs, which Landlord shall have sustained by reason of the breach of any of the covenants of this lease other than for the payment of Rent.

(f) All property removed from the Premises by Landlord pursuant to any provisions of this lease or of law may be handled, removed or stored by the Landlord at the cost and expense of the Tenant, and the Landlord shall in no event be responsible for the value, preservation or safekeeping thereof, provided reasonable care by Landlord is evident. Tenant shall pay Landlord for any expenses incurred by Landlord in such removal and storage charges against such property so long as the same shall be in Landlord's possession or under Landlord's control. All property not removed from the Premises or retaken from storage by Tenant within thirty (30) days after the end of the Term, however terminated, shall be conclusively deemed to have been conveyed by Tenant to Landlord as by bill of sale without further payment or credit by Landlord to Tenant.

(g) Tenant shall pay all of Landlord's costs, charges and expenses, including court costs and reasonable attorney's fees, incurred in enforcing Tenant's obligations under this lease or incurred by Landlord in any litigation, negotiation or transactions in which Tenant causes the Landlord, without Landlord's fault, to become involved or concerned.

17. SUBORDINATION. Landlord has heretofore and may hereafter from time to time execute and deliver a first mortgage or first trust deed in the nature of a mortgage, both referred to herein as "First Mortgage," against the Land and Building, or any interest therein, and may sell and lease back the Land. In addition, Landlord may hereafter from time to time execute and deliver one or more mortgages or deeds of trust junior to the First Mortgage or may subordinate the ___ of a First Mortgage to another mortgage or deed of trust, collectively referred to herein as "Second Mortgage". The First Mortgage and Second Mortgage are herein collectively called "Mortgage". If requested by the mortgagee or trustee under any Mortgage, or the lessor or any ground or underlying lease ("ground lessor"). Tenant will either (a) subordinate its interest in this lease to said Mortgage, and to any and all advances made thereunder and to the interest thereon, and to all renewals, replacements, supplements, amendments, modifications and extensions thereof, or to said ground or underlying lease, or to both, or (b) make Tenant's interest in this lease superior thereto; and Tenant will promptly execute and deliver such agreement or agreements as may be reasonably required by such mortgagee or trustee under any Mortgage. Notwithstanding the foregoing, Tenant covenants it will not subordinate this lease to any mortgage or trust deed other than a First Mortgage (as defined in this Section 17) without the prior written consent of the holder of the First Mortgage.

It is further agreed that (a) if any Mortgage shall be foreclosed, or if any ground or underlying lease be terminated, (i) the liability of the mortgagee or trustee hereunder or purchaser of such foreclosure sale or the liability of a subsequent owner designated as Landlord under this lease shall exist only so long as such trustee, mortgagee, purchaser or owner is the owner of the Building or Land and such liability shall not continue or survive after further transfer of ownership; and (ii) upon request of the mortgagee or trustee, if the Mortgage shall be foreclosed. Tenant will attorn, as Tenant under this lease, to the purchaser at any foreclosure sale under any Mortgage or upon request of the ground lessor, if any ground or underlying lease shall be terminated. Tenant will attorn as Tenant under this lease to the ground lessor, and Tenant will execute such instruments as may be necessary or appropriate to evidence such attornment provided; however, that Tenant shall not attorn to the purchaser at any foreclosure sale under any Mortgage other than a First Mortgage without the prior written consent of the holder of the First Mortgage; and (b) this lease may not be modified or amended so as to reduce the Rent or shorten the Term provided hereunder, or so as to adversely affect in any other respect the rights of the Landlord, nor shall this lease be cancelled or surrendered, without the prior written consent, in each instance, of the mortgagee or trustee under any Mortgage and of any ground lessor.

Should any prospective mortgagee or ground lessor require a modification or modifications of this lease, which modification or modifications will not cause an increased cost or expense to Tenant or in any other way adversely change the rights and obligations of Tenant hereunder in the reasonable judgment of Tenant, then and in such event, Tenant agrees that this lease may be so modified and agrees to promptly execute whatever documents are required therefor and deliver same to Landlord within ten (10) days following the request therefor. Should any prospective mortgagee or ground lessor require execution of a short term of lease for recording (containing the names of the parties, a description of the Premises, and the term of this lease) or a certification from the Tenant concerning this lease in such form as may be required by a prospective mortgagee or ground lessor. Tenant agrees to promptly execute such short term of lease or certificate and deliver the same to Landlord within ten (10) days following the request therefor.

18. MORTGAGEE PROTECTION. Tenant agrees to give any notice of any Mortgage (as defined in Section 17 hereof), by registered or certified mail, a copy of any notice of default served upon the Landlord by Tenant, provided that prior to such notice Tenant has been notified in writing (by way of service on

Tenant of a copy of Assignment of Rents and Leases, or otherwise) of the address of such Mortgage holder. Tenant further agrees that if Landlord shall have failed to date such default within twenty (20) days after such notice to Landlord (or if such default cannot be cured or corrected within that time, then such additional time as may be necessary if Landlord has commenced within such twenty (20) days

and is diligently pursuing the remedies or steps necessary to cure or correct such default), then the holder of any Mortgage shall have an additional thirty (30) days within which to cure or correct such default (or if such default cannot be cured or corrected within that time, then such additional time as may be necessary if such holder of any Mortgage has commenced within such thirty (30) days and is diligently pursuing the remedies or steps necessary to cure or correct such default). Until the time allowed, as aforesaid, for the holder of any Mortgage to cure such default has expired without cure, Tenant shall have no right to, and shall not, exercise any right it may have to terminate this lease on account of Landlord's default.

19. DEFAULT UNDER OTHER LEASES. If the term of any lease, other than this lease, heretofore or hereafter made by Tenant for any space in the Building shall be terminated or terminable after the making of this lease because of any default by Tenant under such other lease, such fact shall empower Landlord, at Landlord's sole option, to terminate this lease by notice to Tenant or to exercise any of the rights or remedies set forth in Section 16.

20. SUBROGATION AND INSURANCE.

(a) Landlord and Tenant agree to have all fire and extended coverage and material damage insurance which may be carried by either of them endorsed with a clause providing that any release from liability of or waiver of claim for recovery from the other party entered into in writing by the insured thereunder prior to any loss or damage shall not affect the validity of said policy or the right of the insured to recover thereunder. Without limiting any release or waiver of liability or recovery contained in any other Section of this lease but rather in confirmation and furtherance thereof, each of the parties hereto waives all claims for recovery from the other party for any loss or damage to any of its property insured under valid and collectible insurance policies to the extent of any recovery collected under such insurance policies.

(b) Tenant shall carry insurance during the entire Term hereof insuring Tenant and Landlord and Landlord's agents and beneficiaries, as their interest may appear, with companies reasonably satisfactory to Landlord and with such increases in limits as Landlord may from time to time request, but initially Tenant shall maintain the following coverages in the following amounts:

(1) Comprehensive general public liability insurance in an amount not less than $1,000,000.00 combined single limit per occurrence.

(2) Insurance against fire, sprinkler leakage, vandalism, and the extended coverage perils for the full replacement cost of all additions, improvements and alterations to the Premises and of all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises.

Tenant shall, prior to the commencement of the Term, furnish to Landlord policies or certificates evidencing such coverage, which policies or certificates shall state that such insurance coverage may not be changed, cancelled or not renewed without at least thirty (30) days prior written notice to Landlord and Tenant, except in the case of cancellation for nonpayment of premiums which cancellation cannot occur without at least ten (10) days prior written notice to Landlord and Tenant.

(c) Tenant shall comply with all applicable laws and ordinances, all orders and decrees of court and all requirements of other governmental authority, and shall not directly or indirectly make any use of the Premises which may thereby be prohibited or be dangerous to person or property or which may jeopardize any insurance coverage, or may increase the cost of insurance or require additional insurance coverage.

21. NONWAIVER. No waiver of any condition expressed in this lease shall be implied by any neglect of Landlord to enforce any remedy on account of the violation of such condition whether or not such violation be continued or repeated subsequently, and no express waiver shall affect any condition other than the one specified in such waiver and that one only for the time and in the manner specifically stated. Without limiting the provisions of Section 8, it is agreed that no receipt of moneys by Landlord from Tenant after the termination in any way of the Term or of Tenant's right of possession hereunder or after the giving of any notice shall reinstate, continue or extend the Term or affect any notice given to Tenant prior to the receipt of such moneys. It is also agreed that after the service of notice or the commencement of a suit or after final judgment for possession of the Premises, Landlord may receive and collect any moneys due, and the payment of said moneys shall not waive or affect said notice, suit or judgment.

22. ESTOPPEL CERTIFICATE. The Tenant agrees that from time to time upon not less than ten (10) days prior request by Landlord, or the holder of any Mortgage or any ground lessor, the Tenant (or any permitted assignee, subtenant, licensee, concessionaire or other occupant of the Premises claiming by, through or under Tenant) will deliver to Landlord or to the holder of any Mortgage or ground lessor, a statement in writing signed by Tenant certifying (a) that this lease is unmodified and in full force and effect (or if there have been modifications, that this lease as modified is in full force and effect and identifying the modifications); (b) the date upon which Tenant began taking Rent, the dates to which the Rent and other charges have been paid and the dates upon which the Term commenced and shall end; (c) that the Landlord is not in default under any provision of this lease, or, if in default, the nature thereof in detail; (d) that the Premises have been completed in accordance with the terms hereof and Tenant is in occupancy and paying Rent

on a current basis with no rental offsets or claims; (e) that there has been no prepayment of Rent other than that provided for in this lease; (f) that there are no actions, whether voluntary or otherwise, pending against Tenant under the bankruptcy laws of the United States or any State thereof, and (g) such other matters as may be required by the Landlord, holder of any Mortgage, or ground lessor.

23. TENANT-CORPORATION OR PARTNERSHIP. In case Tenant is a corporation, Tenant (a) represents and warrants that this lease has been duly authorized, executed and delivered by and on behalf of the Tenant and constitutes the valid and binding agreement of the Tenant in accordance with the terms hereof and (b) if Landlord so requests, it shall deliver to Landlord or its agent, concurrently with the delivery of this lease executed by Tenant, certified resolutions of the board of directors (and shareholders, if required) authorizing Tenant's execution and delivery of this lease and the performance of Tenant's obligations hereunder.

24. REAL ESTATE BROKERS. Tenant represents that Tenant has directly dealt with and only with Stein & Co. Real Estate Services (Tenant's Agent) and Baird & Warner (Landlord's Agent) (whose commission, if any, shall be paid by Landlord pursuant to separate agreement) as broker in connection with this lease and agrees to indemnify and hold Landlord harmless from all damages, liability and expense (including reasonable attorneys' fees) arising from any claims or demands of any other broker or brokers of finders (for any commission alleged to be due such broker or brokers or finders in connection with its participating with Tenant in the negotiation of this lease. Tenant shall deal with no other broker in connection with any assignment, subletting or transfer of the rights of Tenant hereunder without the prior consent of Landlord thereto. In addition, Tenant shall not without the prior approval of Landlord thereto canvass or solicit lessees in the Building or any building now or hereafter constructed in the Center with respect to the potential assignment, subletting or transfer of this lease.

25. NOTICES. In every instance where it shall be necessary or desirable for Landlord to serve any notice or demand upon Tenant, it shall be sufficient (a) to deliver or cause to be delivered to Tenant or its agent a written or printed copy of such notice or demand, or (b) to send a written or printed copy of such notice or demand by United States registered or certified mail, postage prepaid, addressed to Tenant at the Premises, in which event the notice or demand shall be deemed to have been served at the time the same was posted. Any such notice or demand to be given by Tenant to Landlord shall, until further notice, be served personally or sent by United States registered or certified mail, postage prepaid, to c/o M & J Wilkow Management Corporation, 180 North Michigan Avenue, Suite 2000, Chicago, Illinois 60601 and a copy to the office of the Building. Mailed communications to Landlord shall be deemed to have been served at the time the same was posted.

26. MISCELLANEOUS.

(a) Each provision of this lease shall extend to and shall bind and inure to the benefit not only of Landlord and Tenant, but also their respective heirs, legal representatives, successors and assigns, but this provision shall not operate to permit any transfer, assignment, mortgage, encumbrance, lien, charge, or subletting contrary to the provisions of Section 12.

(b) All of the agreements of Landlord and Tenant with respect to the Premises are contained in this lease; and no modification, waiver or amendment of this lease or of any of its conditions or provisions shall be binding upon Landlord unless in writing signed by Landlord.

(c) Submission of this instrument for examination shall not constitute a reservation of or option for the Premises or in any manner bind Landlord and no lease or obligation on Landlord shall arise until this instrument is signed and delivered by Landlord and Tenant; provided, however, the execution and delivery by Tenant of this lease to Landlord or the agent of Landlord's beneficiary shall constitute an irrevocable offer by Tenant to lease the Premises on the terms and conditions herein contained, which offer may not be revoked for thirty (30) days after such delivery.

(d) The word "Tenant" whenever used herein shall be construed to mean Tenants or any one or more of them in all cases where there is more than one Tenant; and the necessary grammatical changes required to make the provisions hereof apply either to corporations or other organizations, partnerships or other entities, or individuals, shall in all cases be assumed as though in each case fully expressed.

(e) Clauses, plats, and riders, if any, signed or initialed by Landlord and Tenant and endorsed on or affixed to this lease are part hereof and in the event of variation or discrepancy, the duplicate original hereof, including such clauses, plats and riders, if any, held by Landlord shall control.

(f) The headings of Sections are for convenience only and do not limit, expand or construe the contents of the Sections.

(g) The Landlord's title is and always shall be paramount to the title of Tenant, and nothing in this lease contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord or enable Tenant to deny the title of Landlord.

(h) Time is of the essence of this lease and of each and all provisions thereof.

(i) All amounts (including, without limitation, Base Rent and Rent Adjustment) owed by Tenant to Landlord pursuant to any provision of this lease shall bear interest at the annual rate of one percent (1%) in excess of prime rate then in effect at Continental Illinois National Bank and Trust Company of Chicago from the date due until paid, unless a lesser rate shall then be the maximum rate permissible by law with respect thereto, in which event said lesser rate shall be charged.

(j) The invalidity of any provision of this lease shall not impair or affect in any manner the validity, enforceability or effect of the rest of this lease.

(k) All understandings and agreements, oral or written, heretofore made between the parties hereto are merged in this lease, which alone fully and completely expresses the agreement between Landlord (and its beneficiary and their agents) and Tenant.

(l) In the event that this lease shall be executed by more than one person, firm, corporation or entity as Tenant, the obligations of said persons, firms, corporations or entities shall be joint and several.

27. DELIVERY OF POSSESSION. If the Landlord shall be unable to give possession of the Premises on the date of the commencement of the Term by reason of any of the following: (i) the Landlord has not completed its preparation of Premises; (ii) the Landlord is unable to give possession of the Premises by reason of the holding over or retention of possession of any tenant, tenants or occupants, or (iii) for any other reason. Landlord shall not be subject to any liability for failure to give possession. Notwithstanding any provision in this Section 27 to the contrary, if the Premises are not delivered on or before February 21, 1991, Tenant may provide Landlord with a ten (10) day prior notice of its intent to charge Landlord a $200.00 a day penalty for non-delivery of the Premises and if the Premises are not delivered within said ten (10) day period then such $200.00 a day penalty shall thereupon become effective and Landlord shall pay a penalty to Tenant equal to $200.00 per day for each day after such ten (10) day period until the date said Premises are delivered to Tenant. The foregoing right is subject to the provisions of paragraph 4 of the Workletter attached to this Lease and should delivery of possession be delayed as a result of actions or circumstances described in subparagraphs 4(a) - 4(f) then such right of termination shall be null and void. Under such circumstances the Rent reserved and covenanted to be paid herein shall not commence until the Premises are available for occupancy, and no such failure to give possession on the date of commencement of the Term shall affect the validity of this lease or the obligations of the Tenant hereunder, nor shall the same be construed to extend the Term.

The Premises shall not be deemed to be unready or unavailable for Tenant's occupancy or incomplete if only minor or insubstantial details of construction, decoration or mechanical adjustments which do not prevent Tenant's use of the Premises for its intended purposes remain to be done in the Premises or any part thereof, or if the delay in the availability of the Premises for occupancy shall be due to special work, changes, alterations or additions required or made by Tenant in the layout or finish of the Premises or any part thereof, or shall be caused in whole or in part by Tenant through the delay of Tenant in submitting plans, supplying information, approving plans, specifications or estimates, giving authorizations or otherwise, or shall be caused in whole or in part by delay or default on the part of Tenant or its subtenants.

28. SECURITY DEPOSIT. Tenant has deposited with Landlord the sum of thirteen thousand and 00/100 dollars ($13,000.00) as security for the full and faithful performance of every provision of this lease to be performed by Tenant. If Tenant defaults with respect to any provision of this lease, including but not limited to the provisions relating to the payment of Rent, Landlord may use, apply or retain all or any part of this security deposit for the payment of any Rent and any other sum in default, or for the payment of any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of said deposit is to be used or applied, Tenant shall, within five (5) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the security deposit to its original amount and Tenant's failure to do so shall be a material breach of this lease. Landlord shall not be required to keep this security deposit separate from its general funds and Tenant shall not be entitled to interest on such deposit. If Tenant shall fully and faithfully perform every provision of this lease to be performed by it, the security deposit or any balance thereof shall be returned to Tenant within twenty (20) days after the expiration of the lease Term and Tenant's vacation of the Premises.

Tenant hereby agrees not to look to any mortgagee as mortgagee, mortgagee in possession, or successor in title to the Building for accountability for any security deposit required by the Landlord hereunder, unless said sums have actually been received by said mortgagee as security for the Tenant's performance of this lease. The Landlord may deliver the funds deposited hereunder by Tenant to the purchaser of Landlord's interest in the Building, in the event that such interest is sold, and thereupon Landlord shall be discharged from any further liability with respect to such security deposit.

29. RELOCATION OF TENANT. Notwithstanding any provision herein to the contrary Landlord shall exercise this relocation right only in the event such replacement tenant is leasing in excess of 13,000 square feet of space. At any time hereafter, Landlord may substitute for the Premises other premises (herein referred to as "the new premises") provided:

(a) the new premises shall be similar to the Premises in area and use for Tenant's purposes and shall be located in the Building;

and if Tenant is already in occupancy of the Premises, then in addition:

(b) Landlord shall pay the expense of Tenant for moving (inclusive of the reasonable cost of replacing business cards & stationary and all other reasonable costs incurred by Tenant as a direct result of such relocation) from the Premises to the new premises and for improving the new premises so that they are substantially similar to the Premises;

(c) Such move shall be made during evenings, weekends, or otherwise so as to incur the least inconvenience to Tenant; and

(d) Landlord shall first give Tenant at least thirty (30) days notice before making such change. If Landlord shall exercise its right hereunder, the new premises shall thereafter be deemed for the purposes of this lease as the Premises.

30. LANDLORD. The term "Landlord" as used in this lease means only the owner or owners at the time being of the Building and the Land so that in the event of any assignment or sale, once or successively, of said Land and Building, or any assignment of this lease by Landlord, said Landlord named herein shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord hereunder accruing after such sale or assignment, and Tenant agrees to look solely to such purchaser or assignee with respect thereto. This lease shall not be affected by any such assignment or sale, and Tenant agrees to attorn to the purchaser or assignee. Tenant is hereby advised, and Tenant acknowledges, that the Landlord's interest in the Building and the Land is presently held by American National Bank and Trust Company of Chicago, not personally but as Trustee under Trust No. 57661.

31. TITLE AND COVENANT AGAINST LIENS. The Landlord's title is and always shall be paramount to the title of the Tenant and nothing contained in this lease shall empower the Tenant to do any act which can, shall or may encumber the title of the Landlord. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen to be placed upon or against the Land, the Building, or the Premises or against the Tenant's leasehold interest in the Premises and, in case of any such lien attaching, to immediately pay and remove same or post a security bond on Landlord's behalf in order to contest the validity of the lien in such amount as is reasonably required by the Landlord but no larger than twice the amount of the lien. Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Land, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach only to Tenant's interest in the Premises. If any such liens so attach and Tenant fails to pay and remove same within ten (10) days after the date any such lien attaches, Landlord, at its election, may pay and satisfy the same without any obligation to investigate or determine the validity or merits of any such lien and encumbrance and in such event the sums so paid by Landlord, with interest from the date of payment at the rate set forth in Section 25(i) hereof for amounts owed Landlord by Tenant, shall be deemed to be additional rent due and payable by Tenant at once without notice or demand.

32. It is expressly understood and agreed that nothing in this Lease shall be construed as creating any liability against Landlord, its beneficiaries or agents or their successors and assigns, personally, and in particular without limiting the generality of the foregoing, there shall be no personal liability to pay any indebtedness accruing hereunder or to perform any covenant, either express or implied, herein contained, and that all personal liability of Landlord, its beneficiaries or agents or their successors and assigns, of every sort, if any, is hereby expressly waived by Tenant, and that so far as Landlord, its beneficiaries or agents or their successors and assigns is concerned Tenant shall look solely to the equity in the Building and the rents, issues and profits therefrom for the satisfaction of the remedies of the Tenant in the event of a breach by the Landlord. It is mutually agreed that this clause is and shall be considered an integral part of the Lease. Such exculpation of personal liability is absolute and without any exception whatsoever.

IN WITNESS WHEREOF, the parties have caused this lease to be executed on the date first above written.

M & J WILKOW MANAGEMENT CORPORATION,
as agent for the beneficiary of the
AMERICAN NATIONAL BANK AND TRUST
COMPANY OF CHICAGO, not personally
but as Trustee aforesaid

By /s/ [illegible]

Stericycle, Inc.

By /s/ Vernon J. Nagel

Name: VERNON J. NAGEL
Title: V.P.

ATTEST:

- ---

RIDER

This Rider dated this 26th day of December, 1991 is to the Lease by and between M & J Wilkow Management Corporation, as agent for the beneficiary of American National Bank and Trust Company of Chicago, not personally, but as Trustee under Trust No. 57661 dated May 15, 1983 ("Landlord") and Stericycle, Inc., a Delaware corporation ("Tenant").

R-1. EXTENSION OPTION.

(a) The Landlord hereby grants to the Tenant an option to extend the Term of this Lease ("Extension Option") for one (1) consecutive period of five (5) years commencing immediately after the expiration of the Term on the same terms, covenants and conditions contained in this Lease, except as provided herein. Tenant shall exercise the Extension Option on or before July 1, 1998, time being of the essence.

(b) Tenant may only exercise its Extension Option, and an exercise thereof shall only be effective, if at the time of Tenant's exercise and on the commencement date of the extension period: (i) the Lease is in full force and effect; (ii) there is no material Default by Tenant under any terms, covenants or conditions of the Lease and (iii) Tenant has not assigned the Lease or subleased the Premises. If the Extension Option is not exercised by July 1, 1998, the Extension Option shall thereupon expire and be of no further force or effect.

(c) Such Extension Option can only be exercised in respect of the entire Premises and Tenant shall have no right to exercise the Extension Option as to less than the entire Premises.

(d) The Base Rent payable during the extension option period with respect to the Premises shall be equal to the then "current market rental rate" (hereinafter defined) per square foot of rentable area, for lease terms of five (5) year duration commencing on or about the commencement date of the extension option period, multiplied by the rentable area of the Premises. For purposes of this Paragraph R-1, the "current market rental rate" shall be the then prevailing rental rate as determined in good faith by Landlord, for improved space in the Building comparable to the Premises in area and location (to the extent that quoted rental rates in the Building vary with regard to location). The prevailing rental rate shall include the prevailing provisions for periodic adjustments to Base Rent and in respect of Taxes and Expenses. In no event, however, shall the Base Rent be less than the adjusted Base Rent payable for the last year of the original Term.

(e) No additional options to extend the Term shall be construed to be created by the Extension Option or the exercise thereof and no other inapplicable provisions such as, but not limited to, any obligation to construct improvements to make any contribution toward the construction of improvements shall be construed to govern the extension period.

(f) Prior to the commencement date of the extension period at Landlord's request Tenant shall enter into a written supplement to the Lease confirming the terms, covenants and conditions applicable to that extension period as determined in accordance herewith, with such revisions to the rental provisions of this Lease as may be necessary to conform such provisions to the rental provisions applicable to the extension period.

R-2. RIGHT OF FIRST OPPORTUNITY.

(a) After August 1, 1992, Landlord shall not enter into any lease of the adjacent space to the Premises, commonly known as Suite 400 consisting of 5,765 rentable square feet ("First Opportunity Space") unless (i) Landlord shall have first given Tenant written notice ("First Opportunity Notice") describing the First Opportunity Space and setting forth, INTER ALIA, a term, net annual rent for such term, and any work to be performed by Landlord in the space and/or any improvement allowance, and (ii) Tenant does not by written notice to Landlord given not later than five (5) business days after the date of Landlord's First Opportunity Notice elect to lease the First Opportunity Space on the terms outlined in the First Opportunity Notice. If Tenant does not so elect to lease the First Opportunity Space, then Landlord at any time within one hundred eighty (180) days after the expiration of Tenant's five (5) business day period, may lease the First Opportunity

Space to any third party upon terms not more favorable then as set forth in Landlord's First Opportunity Notice, and Tenant agrees upon request from Landlord to confirm in writing its waiver of its right of first opportunity as to the First Opportunity Space. If Landlord does not lease such space on such basis within said one hundred eighty (180) day period, then Landlord may not lease such space (if this Section R-2 still applies) unless Landlord again gives notice to Tenant under this Section R-2. Tenant's right under this Lease shall not apply to space leased to a tenant pursuant to an expansion, renewal, extension, or other right (which expansion, renewal, extension, or other right shall be referred to as an "Excluded Right") contained in such tenant's lease, but only if the Excluded Right was in a tenant lease executed prior to the date hereof or in a Landlord's First Opportunity Notice to Tenant with respect to such lease given under this Section R-2.

(b) If Tenant exercises its right to lease the First Opportunity Space in the manner therein provided, then, not later than forty-five (45) days after the date of Tenant's notice of exercise, Landlord and Tenant shall enter into an amendment to this Lease incorporating such First Opportunity Space into the Premises for, INTER ALIA, the term, net annual rent and the improvements to be performed by Landlord and/or improvement allowance. In addition, Tenant's Proportionate Share shall be recalculated on the basis of increased Rentable Area of the Premises. For the Adjustment year which includes the commencement date relating to such space, the Tax and Expense Adjustments shall be computed separately so that Tenant shall be obligated to pay only a pro rata share of the Adjustments allocable to such space. For subsequent Adjustment Years, the Tax and Expense Adjustments shall be calculated for the Premises as a whole on the basis of the increased Rentable Area of the Premises including such space. It is understood that if the term for any First Opportunity Space extends or would extend beyond the Term, then the provisions of this Lease shall remain in effect with respect to such First Opportunity Space for such term even though the Term expires by lapse of time with respect to other portions of the Premises.

R-3. EXPANSION OF PREMISES/CANCELLATION OPTION.

Tenant shall have the one time right to advise Landlord in writing (the "Tenant Expansion Notice") with respect to and by no later than each "Applicable Outside Date" (as hereinafter defined) that it requires "Expansion Space" (as hereinafter defined) by the "Corresponding Effective Date" (as hereinafter defined). If Landlord is able to accommodate Tenant's need for Expansion Space, the Expansion Space will be leased to Tenant on an "as is" basis, it being expressly understood that Landlord shall have no responsibility or obligation to perform any work with respect to the shell, floor, walls, ceilings, light fixtures, HVAC system, utility systems or otherwise. If Landlord fails to notify the Tenant within thirty (30) days of its receipt of any such Tenant Expansion Notice that Landlord will be able to accommodate Tenant's request, Tenant shall have the option, exercisable within sixty (60) days of Landlord's receipt of the Tenant Expansion Notice, to cancel the Lease as of the Corresponding Effective Date by advising Landlord in writing (the "Cancellation Notice") of its intention to cancel the Lease and delivering to Landlord an amount equal to the "Applicable Termination Payment" (as hereinafter defined) concurrently with the issuance of the Cancellation Notice.

The capitalized terms used herein shall have the following meanings:

APPLICABLE OUTSIDE DATE shall be the first of the:	CORRESPONDING EFFECTIVE DATE shall be the first day of the:	APPLICABLE TERMINATION PAYMENT shall be the unamortized costs of leasing commissions, concessions and tenant improvement work, plus an amount equal to:
28th month	37th month	twelve (12) months gross rent
39th month	48th month	eight (8) months gross rent
45nd month	54th month	two (2) months gross rent

For the purpose of satisfying Tenant's request for additional space, as evidenced by the delivery of a Tenant Expansion Notice, "Expansion Space" shall be space anywhere in the Building which is designated by Landlord and is comprised in each case of not less than 1,000 square feet and not more than 4,000 square feet.

The Base Rent payable with respect to the Expansion Space shall be equal to the then "current market rental rate" (hereinafter defined) per square foot of area, multiplied by the rentable area of the Expansion Space. For purposes of this Paragraph R-3, the "current market rental rate" shall be the then prevailing rental rate as determined in good faith by Landlord, for improved space in the Building comparable to the Expansion Space in area and location (to the extent that quoted rental rates in the Building vary with regard to location). The prevailing rental rate shall include the prevailing provisions for periodic adjustments to Base Rent and in respect of Taxes and Expenses. In no event, however, shall the Base Rent be less than the Base Rent applicable to the remainder of the Premises.

R-4. CONSTRUCTION ALLOWANCE. For the terms and conditions relating to the construction allowance, please refer to the Workletter attached to this Lease.

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

LANDLORD:

M & J WILKOW MANAGEMENT CORPORATION,
as agent for the beneficiary of American National Bank and Trust Company of Chicago, not personally but as Trustee as aforesaid

By: /s/ Marc R. Wilkow

Marc R. Wilkow
Executive Vice President

TENANT:

Stericycle, Inc.,
a Delaware corporation

By: /s/ Vernon J. Nagel

Name: Vernon J. Nagel
Title: V.P.

EXHIBIT "A"
Floor Plan of Premises

[GRAPHICS]

EXHIBIT B

RULES AND REGULATIONS

(1) ACCESS TO BUILDING: On Saturdays (except from 8:00 A.M. to 1:00 P.M.), Sundays and legal holidays and on other days between the hours of 6:00 P.M. and 8:00 A.M. the following day, access to the building and/or to the halls, corridors, elevators or stairways in the building may be restricted and access shall be gained by use of a key or security card to the outside doors of the building. Landlord may from time to time establish security controls for the purpose of regulating access to the building. The Tenant shall abide by all such security regulations so established.

(2) PROTECTING PREMISES: Before leaving the Premises unattended, Tenant shall close and securely lock all doors or other means of entry to the Premises and shut off all utilities in the Premises.

(3) BUILDING TENANT DIRECTORIES: The directories of the Building shall be used exclusively for the display of the name and location of the tenants only and will be provided at the expense of the Landlord. Any additional names requested by Tenant to be displayed in the directories must be approved by the Landlord, and, if approved, will be provided at the sole expense of the Tenant.

(4) LARGE ARTICLES: Furniture, freight and other large or heavy articles may be brought into the Building (a) only after Tenant has contacted Landlord for prior approval, (b) at times and in the manner designated by Landlord, and (c) always at the Tenant's sole responsibility. All damage done to the Building by moving or maintaining such furniture, freight or articles shall be repaired at the expense of Tenant. All furniture, equipment, cartons and similar articles desired to be removed from the Premises or the Building shall be listed by the Tenant with the Landlord and a removal permit therefor shall first be obtained from the Landlord.

(5) SIGNS: Tenant shall not paint, display, inscribe, maintain or affix any sign, placard, picture, advertisement, name, notice lettering or direction on any part of the outside or inside of the Building, or on any part of the inside of the Premises which can be seen from the outside of the Premises, without the written consent of Landlord, and then only such name or names or matter and in such color, size, style, character and material as may be first approved by Landlord in writing. Landlord reserves the right to remove at Tenant's expense all matter other than that above provided for without notice to Tenant.

(6) ADVERTISING: Tenant shall not in any manner use the name of the Building for any purpose or use any picture or likeness of the Building, or the name "Lake Cook Office Centre" in any letterheads, envelopes, circulars, notices, advertisements, containers or wrapping material without Landlord's express consent in writing.

(7) COMPLIANCE WITH LAWS: Tenant shall comply with all applicable laws, ordinances, governmental order or regulations and applicable orders or directions from any public office or body having jurisdiction. with respect to the Premises and the use of occupancy thereof. Tenant shall not make or permit any use of the Premises which directly or indirectly if forbidden by law, ordinance, governmental regulation or order or direction of applicable public authority, or which may be dangerous to person or property.

(8) HAZARDOUS MATERIALS: Tenant shall not use or permit to be brought into the Premises or the Building any flammable oils or fluids, or any other explosive or other articles deemed hazardous to persons or property, or do or permit to be done anything in or upon the Premises, or bring or keep anything therein, which shall not comply with all rules, orders, regulations or requirements or any organization, bureau, department or body having jurisdiction with respect thereto (and Tenant shall at all times comply with all such rules, orders, regulations or requirements), or which shall increase the rate of insurance on the Building, its appurtenances, contents or operation.

(9) DEFACING PREMISES AND OVERLOADING: Tenant shall not place anything or allow anything to be placed in the Premises near the glass of any door, partition, wall or window which may be unsightly from outside the Premises, and Tenant shall not place or permit to be placed any article of any kind on any window ledge or on the exterior walls. Blinds, shades, awnings or other forms of inside or outside window ventilators or similar devices, shall not be placed in or about the outside windows in the Premises except to the extent, if any, that the character, shape, color, material and make thereof is approved by the Landlord, and Tenant shall not do any painting or decorating in the Premises or install any floor coverings in the Premises or make, paint, cut or drill into, drive nails, screws or other fasteners into or in any way deface any part of the Premises or Building without in each instance containing the prior written consent of the Landlord. Tenant shall not overload any floor or part thereof in the Premises, or any facility in the Building or any public corridors or elevators therein in connection with bringing in or removing any large or heavy articles or otherwise in excess of the design loads set forth on page 3 of this Exhibit 3, and the Landlord may direct and control the location of sales and all other heavy articles and, if considered necessary by Landlord, require supplementary supports at the expense of the Tenant of such material and dimensions as Landlord may deem necessary to properly distribute the weight.

(10) OBSTRUCTION OF PUBLIC AREAS: Tenant shall not take or permit to be taken in or out of other entrances of the Building, or take or permit on other elevators, any item normally taken in or out service doors or in or on freight elevators; and Tenant shall not, whether temporarily, accidentally or otherwise, allow anything to remain in place or store anything, in, or obstruct in any way, any sidewalk, court, passageway, entrance, or shipping area corridor or other tenants entry door. Tenant shall lend its full cooperation to keep such areas free from all obstruction and in a clean and sightly condition, and move all supplies, furniture and equipment as soon as received directly to the Premises, and shall move all such items and waste (other than waste customarily removed by Building employees) that are at any time being taken from the Premises directly to the areas designated for disposal. All courts, passageways, entrances, exits, elevators, escalators, stairways, corridors, halls and roofs are not for the use of general public and Landlord shall in all cases retain the right to control and prevent access thereto by all persons whose presence in the judgment of Landlord shall be prejudicial to the safety, character, reputation and interests of the Building and its tenants provided, however, that nothing herein contained shall be construed to prevent such access to persons with whom Tenant deals within the normal course of Tenant's business unless such persons are engaged in illegal activities. No Tenant and no employee or invitee of Tenant shall enter into areas reserved for the exclusive use of Landlord, its employees or invitees.

(11) ADDITIONAL LOCKS: Tenant shall not attach or permit to be attached additional locks or similar devices to any door or window, change existing locks or the mechanism thereof, or make or permit to be made any keys for any door other than those provided by Landlord. If more than two keys for one lock are desired, Landlord will provide them upon payment therefor by Tenant. Upon termination of this lease or of the Tenant's right to possession, the Tenant shall surrender all keys to the Premises.

(12) COMMUNICATION OR UTILITY CONNECTIONS: If Tenant desires signal, communication, alarm or other utility or similar service connections installed or changed, Tenant shall not install or change the same without the approval of Landlord, and then only under direction of Landlord and at Tenant's expense. Tenant shall not install in the Premises any equipment which requires a substantial amount of electrical current without the advance written consent of the Landlord, and the Tenant shall ascertain from the Landlord the maximum amount of load or demand for or use of electrical current which can safely be permitted in the Premises, taking into account the capacity of the electric wiring in the Building and the Premises and the needs or other tenants of the Building, and shall not in any event connect a greater load other than such safe capacity.

(13) MANAGEMENT OFFICE: Service requirements of Tenant will be attended to only upon application at the management office for the Building. Employees of Landlord shall not perform any work or do anything outside of their duties unless under special instructions from the Landlord.

(14) OUTSIDE SERVICES: No Tenant shall obtain for use upon the premises ice, drinking water, towel, messenger deliveries, newspapers and other similar services on the Premises, except from persons authorized by the Landlord and at the hours and under certain regulations fixed by the Landlord.

(15) TOILET ROOMS: The toilet rooms, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed and no foreign substance of any kind whatsoever shall be thrown therein and the expense of any breakage, stoppage or damage resulting from the violation of this rule shall be borne by the Tenant who, or whose employees or invitees, shall have caused.

(16) INTOXICATION: Landlord reserves the right to exclude or expel from the Building any person who, in the judgment of Landlord, is intoxicated or under the influence of liquor or drugs, or who shall in any manner do any act in violation of any of the rules and regulations of the Building.

(17) VENDING MACHINES: No vending machines of any description shall be installed, maintained or operated without the written consent of Landlord.

(18) NUISANCES AND CERTAIN OTHER PROHIBITED USES: Tenant shall not (i) install or operate any internal combustion engine, boiler, machinery, refrigerating, heating or air conditioning apparatus in or about the Premises, (ii) carry on any business in or about the Premises or Building or engage in any transactions involving any article, thing or service except those ordinarily embraced within the permitted use of the Premises specified in Section 3, (iv) use the Premises for housing, lodging or sleeping purposes, (vi) place any radio or television antennae on the roof or on or in any part of the inside or outside of the Building other than the inside of the Premises, (vii) operate or permit to be operated any musical sound producing instrument or device inside or outside the Premises which may be heard outside the premises, (viii) use any illumination or power for the operation of any equipment or device other than electricity, (ix) operate any electrical device from which may emanate electrical waves which may interfere with or impair radio or television broadcasting or reception from or in the Building or elsewhere, (x) bring or permit to be in the Building any bicycle or other vehicle, or dog (except in the company of a blind person) or other animal or bird, (xi) make or permit any objectionable noise or odor to emanate from the Premises, (xii) disturb, solicit or canvass any occupant of the Building, (xiii) do anything in or about the Premises tending to create or maintain a nuisance or do any act tending to injure the reputation of the Building, or (xiv) throw or permit to be thrown or dropped any article from any window or other opening in the Building.

(19) ROOM TO ROOM CANVASS: The Tenant shall not make any room-to-room canvass to solicit business from other tenants or occupants of the Building and shall not exhibit, sell or offer to sell, use, rent or exchange any products or services in or from the Premises unless ordinarily embraced within the Tenant's use of the Premises specified herein.

(20) WASTE: The Tenant shall not waste electricity, water, heat or air conditioning and agrees to cooperate fully with Landlord to assure the most effective and energy efficient operation of the Building's heating and air conditioning, and shall not allow the adjustment (except by Landlord's authorized building personnel) of any controls. The Tenant shall keep corridor doors closed and shall not open any windows, except that if the air circulation shall not be in operation, windows which are openable may be opened with Landlord's consent.

(21) KEYS: The Tenant, upon termination of its tenancy, shall deliver to the Landlord all the keys of offices, rooms and toilet rooms which have been furnished the Tenant or which the Tenant shall have had made, and in the event of loss of any keys so furnished shall pay Landlord therefor.

(22) REMOVAL OF ITEMS: Prior to removing furniture, equipment or other items from the Building, Tenant must submit a written list of such items and obtain approval thereof from the management office of the Building.

(23) PARKING AREAS: Tenant shall observe all parking area regulations and restrictions, directional signs, speed limits and security devices and shall not park in any area or spaces reserved for specific Tenants.

The structural design live loads for the Building are as follows:

1. Ground Floor - 100 pounds per square foot.
2. Typical office floor - 50 pounds per square foot plus 20 pounds per square foot for partitions.
3. Elevator lobbies - 100 pounds per square foot.

(24) LOITERING: Tenant shall not allow its employees to loiter in the common areas of the Building.

EXHIBIT "C"

W O R K L E T T E R

This is the Workletter referred to in the lease to which Exhibit "C" is attached (the "Lease") wherein the Tenant is leasing certain office space (the "Premises") from the Landlord at the property known as 1419 Lake Cook Road and located in Lake Cook Office Centre IV, Deerfield, Illinois (the "Building"). Capitalized terms used herein, unless otherwise defined in this Workletter, shall have the respective meaning assigned to them in the Lease.

1. Work. Landlord, at Landlord's sole cost and expense, shall provide the construction material, hardware and equipment of the type and in the quantities listed in Attachment "A" hereto as "Building Standards" and the labor to construct and install such Building Standard items as improvements (the "Work") to the Premises in accordance with a Construction Plan to be prepared by Landlord in a manner consistent with the space plan attached hereto as Attachment "B". Landlord shall cause the Construction Plan to be prepared as soon as practicable following the execution of this Lease and shall promptly thereafter deliver a copy of the Construction Plan to Tenant. Tenant shall have three (3) business days to approve the Construction Plan as presented and shall evidence its approval by signing off on a copy of the Construction Plan and returning same to Landlord. If the Construction Plan is not approved as aforesaid by Tenant, Landlord shall have the right to terminate this Lease by written notice to Tenant whereupon this Lease shall become null and void and of no further force and effect. Once the Construction Plan has been approved by Tenant in the event of a conflict between the Construction Plan and this Workletter, the Construction Plan shall govern and control. Subject to the provisions of this Workletter, Landlord shall proceed diligently to cause the Work to be substantially completed in accordance with the terms and conditions of the Lease. Notwithstanding any provision herein to the contrary, in the event Landlord's construction costs relating to the Work exceed fifty-four thousand four hundred twenty and 00/100 ($54,420.00) dollars Tenant shall pay Landlord for such excess amount and in the event Landlord's construction costs relating to the Work are less than fifty-four thousand four hundred twenty and 00/100 ($54,420.00) dollars the Tenant will receive a rent abatement to the extent of such deficiency.

Landlord agrees to pay all fees in connection with the Construction Plan (the "Plans").

2. Additional Work. If Tenant wishes Landlord, prior to the commencement of the Term, to employ labor and to use items of material, hardware, equipment or decorating that exceed Landlord's obligation hereunder as limited by the term "Work" (such excess

items are herein referred to collectively as "Additional Work"), Tenant shall, at its expense, cause drawings and specifications ("Additional Plans") for the Additional Work to be completed and submit such Additional Plans to Landlord for its approval. Landlord shall not withhold its approval unreasonably if the Additional Work does not affect the structure or safety or the exterior appearance of the Building or the heating, ventilating, air conditioning, plumbing or other mechanical systems of the Building. If Landlord approves the Additional Work as reflected in the Additional Plans, Landlord shall obtain and submit to Tenant estimates of the cost of the Additional Work. Tenant shall approve such cost within five (5) days after Landlord submits such estimates to Tenant or Tenant shall be deemed to have abandoned its request for such Additional Work. The cost of such Additional Work shall include the direct costs thereof, plus general conditions (including rubbish removal, hoisting, permits, field supervision and the like) plus the contractor's charges for overhead and fees, together with fifteen percent (15%) of all such costs for overhead and construction management services, which fee shall be paid to Landlord, or its agent, as Landlord shall direct. Landlord shall not be obligated to proceed with such Additional Work until the cost set forth in such estimate is paid by Tenant to Landlord for deposit in Landlord's trust account for payment of the Additional Work as work progresses. Any deficit shall be paid to Landlord upon completion of such Additional Work and within seven (7) days after Landlord shall have furnished Tenant with bills for the complete costs thereof.

Any Additional Work or alterations to the Premises desired by Tenant after the commencement of the Term shall be subject to the provisions of Section 11 of the Lease.

3. Substitutions and Credits. Unless already contracted for, prepurchased or stocked by Landlord, Tenant may select other available items in place of Building Standard items referred to in Attachment A hereof, provided that such selection is requested in writing and made on the Plans when they are delivered to Landlord as aforesaid and that such other materials constitute a "substitution in kind" as hereinafter described. In no event shall Tenant be entitled or permitted to substitute for Building Standard any portion of the ceiling and lighting system. Tenant agrees to pay Landlord within fifteen days after receipt of bills therefor (which bills may be rendered by Landlord from time to time during the course of the Work or at any time thereafter) an amount equal to the excess of the Landlord's cost of acquiring and installing such substituted items over the cost which Landlord would have incurred in acquiring and installing the Building Standard items that were replaced thereby, plus 20% of such costs for Landlord's overhead. Landlord's bill for such costs (so long as the amount of such bill is not arbitrarily determined) shall be final and binding upon Tenant. No credit shall be granted to Tenant for the omission of Building Standard items where no substitution on kind is made. Such credit shall be granted only to the extent of substitution in kind. For example, an interior door credit may

be applied only against the cost of another interior door and an electrical outlet credit may not be applied against the cost of an interior door. The amount of the credits for substituted items shall be determined by Landlord and furnished to Tenant from time to time.

4. Delays in Tenant Work. Notwithstanding the date provided in the Lease for the commencement of the Term thereof and the provisions of Section 27 of the Lease to the contrary, Tenant's obligations to pay Rent thereunder shall not commence until Landlord shall have substantially completed all Work to be performed by Landlord, as set forth in Paragraph 1 hereof; provided, however, if Landlord shall be delayed in substantially completing the work for any reason set forth in the following subparagraphs (a) through (f) of this Paragraph 4, then the Term of the Lease shall commence on the date otherwise provided therein and the payment of Rent thereunder shall not be affected or deferred on account of such delay:

(a) Tenant's failure to furnish any information required for the preparation of the Plans as and when requested by Landlord; or

(b) Any reason relating to the request by Tenant for, or the completion by landlord of, the Additional Work;

(c) Tenant's changes in the work or the Plans after initial approval by Landlord and Tenant (notwithstanding Landlord's further approval of any such changes);

(d) Any other act, omission or delay by Tenant, its agencies, contractors, interior space planner (due to actions or inactions of Tenant) or persons employed by any of such persons delaying the substantial completion of the Work, including actions by or on behalf of Tenant pursuant to Paragraph 5 hereof;

(e) Tenant's request for materials, finishes or installations other than or in substitution for the Building Standard items as listed in Attachment A hereto; or

(f) Any matter set forth in the second paragraph of Section 27 of the Lease.

5. Access by Tenant Prior to Commencement of Term. Landlord will permit Tenant and Tenant's agents, suppliers, contractors and workmen to enter the Premises prior to the commencement of the Term to enable Tenant to do such things as may be required by Tenant to make the Premises ready for Tenant's occupancy, provided that Tenant and its agents, contractors, workmen and suppliers and their activities in the Premises and Building will not interfere with or delay the completion of the Work or Additional Work to be done by Landlord and will not interfere with other activities of Landlord or occupants of the Building. Landlord shall have the right, on notice of Tenant, to cause Tenant or any such agent, contractor, workman or supplier to leave the Premises and the Building if

Landlord determines that any such interference or delay has been or may be caused. Tenant agrees that any such entry into the Premises shall be at Tenant's own risk and Landlord shall not be liable in any way for any injury, loss or damage which may occur to any of Tenant's property or Tenant's installations made in the Premises and Tenant agrees to protect, defend, indemnify and save harmless Landlord, its partners and their respective agents from all liabilities, costs, damages, fees and expenses arising out of or connected with the activities of Tenant or its agents, contractors, suppliers or workmen in or about the Premises or Building. In addition, prior to the initial entry to the Building or the Premises by Tenant and by each contractor or subcontractor for Tenant, Tenant shall furnish Landlord with policies of insurance covering Landlord as an insured party with such coverages and such amounts as Landlord may then require in order to insure Landlord against liability for injury or death or damage to property of Landlord or its tenants by reason of such entry and any activity or work carried on, in or about the Building or the Premises.

6. Miscellaneous.

(a) The Work shall be done by Landlord, or its designees, contractors or subcontractors, in accordance with the terms, conditions and provisions herein contained.

(b) Except as herein expressly set forth or in the Lease, landlord has no agreement with Tenant and has no obligation to do any other work with respect to the Premises. Any other work in the Premises which Tenant may be permitted by Landlord to perform prior to commencement of the Term shall be done at Tenant's sole cost and expense and in accordance with the terms and conditions of the Lease, including, without limitation, Section 11, the terms and provisions of Paragraph 5 of this Workletter and such other requirements as Landlord deems necessary or desirable. Any additional work or alterations to the Premises desired by Tenant after the commencement of the Term shall be subject to the provisions of Section 11 of the Lease.

(c) Time is of the essence under this Workletter.

(d) Any person signing this Workletter on behalf of the Landlord Tenant warrants and represents he has authority to do so.

(e) This Workletter shall not be deemed applicable to any additional office space added to the original Premises at any time or from time to time, whether by any options under the Lease of otherwise, or to any portion of the original Premises or any additions thereto in the event of a renewal or extension of the original Term of this Lease, whether by options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement thereto.

(f) With respect to any amount owed by Tenant hereunder and not paid when due or Tenant's failure to perform its obligation hereunder, Landlord shall have all the rights and remedies granted to Landlord under the Lease for nonpayment by Tenant of any amounts owed thereunder or failure by Tenant to perform its obligations thereunder.

LANDLORD:

M & J WILKOW MANAGEMENT CORPORATION,
as Agent for the beneficiary of
American National Bank and Trust
Company of Chicago, not personally
but as Trustee aforesaid

By: /s/ Marc R. Wilkow

Vice President

TENANT:

STERICYCLE, INC.

By: /s/ Vernon J. Nagel

Title: V.P.

Date: 12/23/91

WORKLETTER

Attachment "A"
Office Lease
LAKE COOK OFFICE CENTER IV
1419 Lake Cook Road
Deerfield, Illinois

The items listed below are "Building Standard" items which shall be supplied and installed at Landlord's expense in the Premises. As used herein, the term "Rentable Area of the Premises" shall have the same meaning as set forth in Section 2(a)(vi) of The Lease.

A. DRYWALL PARTITIONS

1. DEMISING AND CORRIDOR PARTITIONS

2 1/2" metal studs at 24 inches O.C., one layer of 5/8 inch thick gypsum board each side, two inch mineral fibre sound insulation batt; (all to underside of concrete deck).

2. TENANT INTERIOR PARTITIONS

2 1/2" metal studs at 24 inches O.C., one layer of 5/8 inch thick gypsum board each side, all to underside of finished ceiling.

3. QUANTITY

Tenant Interior Partitions--One (1) lineal foot per 18 square feet of Rentable Area of the Premises.

B. ACOUSTIC TILE CEILINGS

20" x 60" regressed lay-in acoustic tile in tenant areas; matte white metal grid.

C. DOORS AND HARDWARE--(Tenant entry and interior doors)

1. TENANT INTERIOR DOOR FRAMES

Metal frame for nominal 3'0" x 8'4" door prefinished.

2. TENANT INTERIOR DOORS

Nominal 3'0" x 8'4" solid core wood veneer door prefinished.

3. TENANT ENTRY & EXIT DOOR & FRAMES

Nominal 3'0" x 8'4" solid core wood veneer door prefinished with prefinished metal 3'0" x 8'4" door frame.

4. ENTRY & EXIT DOOR HARDWARE

a. Lockset:

Polished bronze, lever type

b. Door Closer:

Paint to match door frame

c. Door Butts

2 pair per leaf--polished bronze to match lockset

d. Door Stop:

Floor mounted as required, polished bronze

5. TENANT INTERIOR DOOR HARDWARE

a. Passage Set:

Polished bronze, lever type

b. Door Stop:

Floor mounted as required, polished bronze

c. Door Butts:

2 pair per leaf--polished bronze

6. QUANTITY

a. Tenant Entry & Exit Doors

Subject to applicable codes and ordinances, one (1) single leaf door per tenant space (if total area is less than 2,500 square feet). Two (2) single leaf doors per tenant space (if total area is 2,500 square feet or larger).

b. Tenant Interior Doors

One (1) opening per 435 square feet of Rentable Area of the Premises.

D. PAINTING AND DECORATING

Demising, Interior Tenant Walls, Interior Side of Corridor Walls

One (1) coat flat latex finish over one (1) coat primer, one (1) color per individual room; two colors in large office areas; color from building standard chart.

E. CARPET AND FLOOR COVERINGS

30 ounce nylon cut pile over one-half inch padding, one color selection per tenant space from Building Standard Color Selection.

F. BASE

2 1/2" high straight edge vinyl base, for all corridor, tenant, interior, demising and core walls exposed to tenant rental areas.

G. ELECTRICAL

1. LIGHTING

a. Fixtures

20" x 48" flourescent lay-in fixture with return air troffer, three (3) warm white lamps per fixture.

b. Light Switches

Bi-level toggle type switch.

c. Emergency Lighting

In accordance with code.

d. Exit Lights

In accordance with code.

e. Quantity

(1) Fixture: One (1) per 103 square feet of Rentable Area of the Premises.
(2) Switches: One (1) per 480 square feet of Rentable Area of the Premises.
(3) Emergency Lighting Wiring: In accordance with code.
(4) Exit Lights: In accordance with code.

2. POWER WIRING

a. Duplex Receptacles

110 volt standard receptacle on common 20 ampere circuit. (Separate circuits provided at additional cost).

b. Quantity

One (1) wall mounted duplex receptacle per 240 square feet of Rentable Area of the Premises.

3. TENANT SERVICES

Individual tenant metering and distribution panels provided by Landlord are included in workletter pricing for workletter quantities and loads. Additional quantities and loads causing increased switchgear sizes or equipment shall be provided at Tenant's cost.

4. TELEPHONE

a. Junction Boxes

Standard telephone junction boxes with conduit to plenum space to tenant's terminal board area. Cover plates to be furnished and installed by telephone installer.

b. Quantity

One (1) wall mounted telephone junction box per 300 square feet of Rentable Area of the Premises.

c. Empty standard conduit and terminal strip backboards required for installation of telephone equipment, interconnection of Building telephone closets and connection of Building telephone closets with tenant's switchboard and equipment room shall be installed or be performed at Tenant's cost.

H. HEATING, VENTILATION AND AIR CONDITIONING

1. DESCRIPTION

Tenant air distribution shall be a variable air volume system consisting of slot diffusers with diffuser mounted control zones. The maximum size of a perimeter zone shall be 15 feet deep by 60 perimeter lineal feet. The maximum size of an interior zone shall be 1,200 square feet. Control thermostats shall be located at the diffusers in the ceiling. (Wall mounted thermostats available at additional cost).

2. CRITERIA

Maintain during the normal heating season, indoor dry bulb temperatures not less than 72F minus 2, whenever outdoor temperature is 2F. Maintain by comfort cooling indoor dry bulb temperature of 78F plus 2, and a relative humidity not in excess of 50% plus 5 whenever the outside dry bulb is 91F, and the wet bulb temperature is 76F. The foregoing is based upon occupancy density of not more than one person per one hundred (100) square feet of floor area and a maximum electrical lighting load of two (2) watts per square foot of floor area and power load of 0.5 watts per square foot in any given area within the Premises.

3. The cost of all individual tenant's exhaust fans and other particular tenant requirements above and beyond the building's "typical" H.V.A.C. system shall be charged to Tenant.

I. WINDOW TREATMENT

Horizontal, narrow-slat blinds shall be installed by Landlord on all exterior windows.

J. FIRE PROTECTION SYSTEM

Sprinkler heads as required by code have been installed on all Tenant floors and are included in Shell and Core Work. If existing location is not compatible with Tenant partition arrangement, costs to move, relocate or add sprinkler heads will be at Tenant's cost.

LEASE AGREEMENT
between
RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION
and
STERICYCLE, INC.

Dated as of June 1, 1992

$2,030,000
Rhode Island Industrial Facilities Corporation
Industrial Development Revenue Bonds
(Industrial-Recreational Building Authority Program
Stericycle, Inc. Project - 1992 Series)

This instrument was prepared by:

EDWARDS & ANGELL
2700 Hospital Trust Tower
Providence, Rhode Island 02903
Telephone: (401) 274-9200

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease") is entered into as of June 1, 1992, by and between the RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION (the "Issuer"), a public corporation and governmental agency of the State of Rhode Island and Providence Plantations (the "State"), and STERICYCLE, INC. (the "Obligor"), a corporation duly organized and validly existing under the laws of the State of Delaware:

W I T N E S S E T H:

In consideration of the respective representations and agreements herein contained, the Issuer and the Obligor do hereby agree, as follows (provided, that in the performance of the agreements of the Issuer herein contained, any obligation it may thereby incur for the payment of money shall not be a debt of the State or any political subdivision thereof and neither the State nor any political subdivision thereof shall be liable on such obligation, except as contemplated in the Mortgage Insurance Agreements, hereinafter defined, and such obligation shall be payable solely out of the Pledged Revenues, hereinafter defined):

LEASE AGREEMENT

TABLE OF CONTENTS

(The Table of Contents for this Lease Agreement is for convenience of reference only and is not intended to define, limit or describe the scope or intent of any provisions of this Lease Agreement.)

ARTICLE I.

DEFINITIONS AND CERTAIN RULES OF INTERPRETATION

Section 1.1 Definitions. In addition to the words and terms elsewhere defined herein, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent, and any other words and terms defined in the Indenture and the Tax Regulatory Agreement, hereinafter defined, shall have the same meanings when used herein as assigned them in the Indenture and the Tax Regulatory Agreement unless the context or use clearly indicates another or different meaning or intent:

"Act" means Chapter 37.1 of Title 45 of the Rhode Island General Laws (1956), as amended;

"Administrative Expenses" means (i) a percentage administrative -fee, if any, set by vote of the Board of Directors of the Issuer, in no case to exceed one-eighth of one percent per year of the principal amount of the Bonds outstanding and (ii) the reasonable and necessary expenses incurred by the Issuer in connection with the issuance of the Bonds and the performance of the Issuer's obligations under this Lease and the Indenture;

"Authorized Obligor Representative" means the person at the time designated to act on behalf of the Obligor by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of the Obligor by its President or any Vice President. Such certificate may designate an alternate or alternates;

"Authorized Issuer Representative" means the person at the time designated to act on behalf of the Issuer by written certificate furnished to the Obligor and the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by its Chairman, Vice Chairman, Executive Director, Deputy Director or Treasurer. Such certificate may designate an alternate or alternates;

"Bond" or "Bonds" means the Rhode Island Industrial Facilities Corporation Industrial Development Revenue Bonds (Industrial-Recreational Building Authority Program Stericycle, Inc. Project - 1992 Series) in the aggregate principal amount of $2,030,000, issued by the Issuer under the Indenture;

"Bond Counsel" means a firm of nationally recognized attorneys acceptable to the Issuer experienced in the financing

of facilities through the issuance of tax-exempt revenue bonds under Section 103 of the Code;

"Bond Fund" means the Bond Fund created by Section 501 of the Indenture;

"Bond Purchase Agreement" means the Bond Purchase Agreement, dated June 30, 1992, by and among the Purchaser, the Issuer and the obligor, including any amendments thereto;

"Bond Registrar" means the Bond Registrar as defined in the Indenture;

"Bondholders", "bondholders", "holders" or "holders of the Bonds" means the registered owners of the Bonds as shown on the registration books maintained by the Bond Registrar;

"Closing" means the date on which the Bonds are issued.

"Code" means the Internal Revenue Code of 1986, as amendedf or any successor thereto. Any references to sections of the Internal Revenue Code of 1986, as amended, shall be understood to refer to any successor provisions thereto;

"Collateral Account" means the account in the Bond Fund so designated which is established pursuant to Section 5.1 of the Indenture;

"Collateral Account Requirement" means (a) the amount, if any, by which the aggregate principal amount of Bonds outstanding plus interest payable on the next succeeding Interest Payment Date exceeds the sum of (i) amounts on deposit in the Bond Fund that constitute Eligible Funds and (ii) one hundred percent (100%) of amounts on deposit in the Project Fund to the extent that such amounts are invested in Permitted Investments of the type described in (vi) and (vii) of the definition of Permitted Investments in the Indenture or ninety-six percent (96%) of the amounts on deposit in the Project Fund to the extent that such amounts are invested in Permitted Investments of the type described in other than (vi) and (vii) of such definition of Permitted Investments plus one hundred percent (100%) of any interest accrued on Permitted Investments, all as calculated'as by the Trustee of the first day of each month while the Mortgage Insurance Agreements are not in effect or (b) until August 31, 1993, an amount equal to all interest of and principal on the Bonds payable through August 30, 1993 less any accrued interest deposited in the Bond Fund;

"Commitment Agreement" means the Commitment Agreement, dated as of June 1, 1992 by and among the IRBA, the Issuer, the obligor and the Trustee;

"Completion Date" means the date of completion of the Project evidenced in compliance with Section 4.5 herein;

"Construction Period" means the period between the beginning of acquisition, construction and/or installation of the Project or the date of issuance and delivery of the Bonds, whichever is earlier, and the Completion Date;

"Counsel" means an attorney, or firm of attorneys, admitted to practice law before the highest court of any state in the United States of America or the District of Columbia;

"Determination of Taxability" means a Determination of Taxability as defined in the Indenture;

"Equipment" means the equipment described in Exhibit "B" hereto and by this reference made a part hereof;

"Event of Default" means one of the events so denominated and described in Section 10.1 herein;

"Event of Taxability" mean's an Event of Taxability as defined in the Indenture;

"Facilities" means any facilities and improvements located on or to be constructed on the Premises, including but not limited to an existing building of approximately 23,000 square feet to be used by the Obligor in the treatment and conversion of medical waste into recyclable raw material;

"Financing Statements" means any and all financing statements (including continuation statements) filed for record from time to time to perfect the security interests created by or assigned in the Indenture;

"Hazardous Materials" (i) the term "Hazardous Materials" as used in this Lease shall mean any flammable explosives, radon, radioactive materials, asbestos, urea formaldehyde foam insulation, polychlorinated biphenyls, petroleum, petroleum-based products, methane, hazardous materials, hazardous wastes, hazardous or toxic substances or related materials as set forth in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601, ET SEQ.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. Sections 1801, ET SEQ.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Sections 6901, ET SEQ.), the Toxic Substances Control Act, as amended (15 U.S.C. Sections 2601, ET SEQ.) or any other applicable Environmental Law and the regulations promulgated thereunder.

(ii) the term "Environmental Laws" as used in this Lease shall-mean all federal, state and local environmental, land use, zoning, health, chemical use, safety and sanitation laws, statutes, ordinances and codes relating to the protection of the environment or governing the use, storage, treatment, generation, transportation, processing, handling, production or policies, guidelines, interpretations, decisions, orders and directives of federal, state and local governmental agencies and authorities with respect thereto.

"IRBA" means the Rhode Island Industrial-Recreational Building Authority, a body corporate and politic and a public instrumentality of the State.,

"IREA Resolutions" means Resolutions Numbered 271A and 271B adopted on June 3, 1992, as amended, approving and authorizing the insurance of the Mortgage and the Security Agreement relating to the Project subject to the conditions stated therein;

"Indenture" means the Trust Indenture, dated as of June 1, 1992, by and between the Issuer and the Trustee, including any indentures supplemental thereto;

"Insurance Requirements" means all provisions of any insurance policy covering or applicable to the Project or any part thereof, all requirements of the issuer of any such policy, and all orders, rules, regulations and other requirements of the National Board of Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Project or any part thereof;

"Interest Payment Date" means December 1 and June 1 of each year that the Bonds are outstanding;

"Issuer" means the Rhode Island Industrial Facilities Corporation, a public corporation and governmental agency of the State, duly organized and existing under the laws of the State, and any body, board, authority, agency or other political subdivision or instrumentality of the State which shall succeed to the powers, duties and functions 'thereof;

"Issuer Documents" means this Lease, the Indenture, the Bonds, the Bond Purchase Agreement, the Mortgage, the Security Agreement, the Mortgage Insurance Agreements, the Tax Regulatory Agreement and any other agreements, instruments or certifications executed and delivered by the Issuer in connection with the issuance of the Bonds;

"Lease" means this Lease Agreement, dated as of June 1, 1992, by and between the Issuer and the Obligor, including any amendments hereto;

"Lease Term" means the duration of this Lease as specified in Section 5.1 herein;

"Legal Requirements" means all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of all governmental entities, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, which now or at any time hereafter may be applicable to the Project or any part thereof, any use, anticipated use or condition of the Project or any part thereof the violation of which would have a material adverse effect on the Project;

"Letter of Credit" means an irrevocable letter of credit issued by a Qualified Banking Institution to the Trustee at the request and for the account of the Obligor;

"Letter of Credit Bank" means the issuer of the Letter of Credit.

"Mortgage" means the Mortgage dated as of June 1, 1992 from the Issuer to the Trustee relating to the Facilities and the Premises;

"Mortgage Insurance Agreement (Real Estate)" and "Mortgage Insurance Agreement (Equipment)" (collectively the "Mortgage Insurance Agreements") means the Mortgage Insurance Agreements to be entered into subsequent to the issuance of the Bonds and upon the completion of the Project among the IRBA, the Trustee and the Issuer, pursuant to which the IRBA will insure the mortgage payments required to be made to the Trustee for the benefit of the holders of the Bonds;

"Net Proceeds" means Net Proceeds as defined in Section 1.1 of the Tax Regulatory Agreement;

"Notice Address" means

(a) As to the Issuer:

Rhode Island Industrial Facilities Corporation
Seven Jackson Walkway
Providence, Rhode Island 02903
Attention: Treasurer

(b) As to the Obligor:

Stericycle, Inc.
1419 Lake Cook Road, Suite 410
Deerfield, Illinois 60015
Attention: Chief Financial Officer

(c) As to the Trustee, Bond Registrar and Paying Agent:

Fleet National Bank
111 Westminster Street
Providence, Rhode Island 02903
Attention: Corporate Trust Department

(d) As to the IRBA:

Rhode Island Industrial-Recreational Building Authority
Seven Jackson Walkway
Providence, Rhode Island 02903
Attention: Manager

"Obligor" means Stericycle, Inc. and any successors and assigns, to the extent permitted by this Lease;

"Obligor Documents" means this Lease, the Tax Regulatory Agreement, the Bond Purchase Agreement, the Commitment Agreement and any other agreements, instruments or certifications executed and delivered by the Obligor in connection with the issuance of the Bonds;

"Obligor Payment Date" means the first day of each month of each year, commencing as to interest and Administrative Expenses on August 1, 1992, and commencing as to principal on the first day of the month in which the Mortgage Insurance Agreements are delivered or, if the Mortgage Insurance Agreements are delivered after the first of the month, the first day of the next succeeding month but in no event later than May 1, 1993;

"Paying Agent" and "Co-Paying Agent" means the Paying Agent and the Co-Paying Agent as defined in the Indenture;

"Payment in Full of the Bonds" means the situations referred to in Section 8.2 of the Indenture;

"Permitted Encumbrances" means as of any particular time,

(a) liens for ad valorem taxes or payments in lieu of taxes and special assessments not then delinquent or permitted to exist as provided herein;

(b) the rights of the Issuer or the Trustee under this Lease, the Mortgage, the Security Agreement and the Indenture;

(c) purchase money security interests on the Equipment so long as such security interests are discharged upon execution and delivery of the Mortgage Insurance Agreement (Equipment);

(d) such other defects, irregularities, encumbrances, easements, rights-of-way and clouds on title as are set forth in Schedule B of the title insurance policy required by Section 6.9 herein; and

(e) such other liens on the Equipment and the Facilities as shall be given prior approval in writing by the Issuer and the IRBA.

"Person" means any natural person, individual, corporation, cooperative, joint venture, partnership, trust, unincorporated organization, government, governmental body, agency, political subdivision or other legal entity as in the context may be appropriate;

"Personal Property" as used herein means all equipment, machinery and furniture and other tangible personal property located at or in the Project and utilized as a part of or in conjunction with the Obligor's business operations other than (a) equipment, machinery and furniture and other tangible personal property acquired with the proceeds of the Bonds or in replacement or restoration of, substitution for, or as an addition, modification or improvement to the Project or (b) equipment, machinery and furniture and other tangible personal property subject to security interests arising from any of the Obligor Documents or the Issuer Documents;

"Pledged Revenues" means and shall include:

(a) the rental payments and other payments required to be made by the Obligor under this Lease except for payments to be made for services rendered by the Trustee, the Bond Registrar, the Paying Agent and any Co-Paying Agent and except for expenses, indemnification and other payments required to be made pursuant to Sections 5.4, 8.7 and 10.4 herein and payments required to be made into the Rebate Fund;

(b) all amounts on deposit from time to time in the Bond Fund and the Project Fund, subject to provisions of this Lease and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein;

(c) any proceeds which arise upon any disposition of the Trust Estate; and

(d) any other revenues arising out of or in connection with the Issuer's interest in the Project;

"Premises" means the property described in Exhibit "A" hereto and by this reference made a part hereof;

"Prime Rate" means the rate of interest announced from time to time by the Trustee at its principal office as its "Prime Rate". Changes in the Prime Rate shall take effect on the day announced, unless otherwise specified in the announcement;

"Principal Payment Date" means the June 1 of each year during which the Bonds are outstanding, commencing June 1, 1993;

"Project" means the Equipment, the Facilities and the Premises;

"Project Fund" means the Project Fund created by Section 6.1 of the Indenture;

"Project Supervisor" means a representative of the bondholders acceptable to the IRBA who is appointed by the Obligor and who may be an independent qualified engineer or architect or firm of engineers or architects whose duties shall include analysis of plans and specifications for the Project and purchase orders submitted by the Obligor; monitoring progress on the Project, including on-site inspections; review of all requests for advances by the Obligor and other suppliers; furnishing progress reports to the Trustee and the Issuer; reviewing and certifying the completion of the Project; and other customary services incidental to the foregoing;

"Purchaser" means Carolan & Co., Inc., the purchaser of the Bonds;

"Qualified Banking Institution" means a bank, trust company, national banking association or a corporation subject to registration with the Board of Governors of the Federal Reserve System under the Bank Holding Company Act of 1956, whose unsecured obligations or uncollateralized long term debt obligations have been assigned a rating by S & P or Moody's, or which has issued a letter of credit, contract, agreement or surety bond in support of debt obligations which have been rated by S & P or Moody's in one of their three (3) highest rating categories or, if unrated, with unimpaired capital and surplus of not less than fifty million dollars ($50,000,000) any of such conditions to be satisfied at the time of such determination;

"Rebate Fund" means the Rebate Fund created by Section 6.5 of the Indenture;

"Regulatory Agreement" means the Regulatory Agreement to be entered into subsequent to the issuance of the Bonds and upon completion of the Project and execution of the Mortgage Insurance Agreements between the Obligor and the IRBA;

"Security Agreement" means the Security Agreement dated as of June 1, 1992, from the Issuer to the Trustee relating to the Equipment;

"State" means the State of Rhode Island and Providence Plantations;

"Tax Escrow Fund" means the Tax Escrow Fund created by Section 6.8 of the Indenture;

"Tax Regulatory Agreement" means the Tax Regulatory Agreement by and among the Issuer, the Obligor and the Trustee dated and delivered the date of the issuance of the Bonds;

"Taxing Authorities" means the City of Woonsocket, Rhode Island and any other political subdivision or political unit having taxing authority where the Project is located;

"Trustee" means Fleet National Bank, a national banking association duly organized and existing under the laws of the United States of America, as trustee under the Indenture, or any co-trustee or any successor trustee under the Indenture; and

"U.C.C." means the Uniform Commercial Code of the State, as now or hereafter amended.

Section 1.2 Certain Rules of Interpretation. The definitions set forth in Section 1.1 herein shall be equally applicable to both the singular and plural forms of the terms therein defined and shall cover all genders.

"Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereinafter" and other equivalent words refer to this Lease and not solely to the particular Article, Section or subdivision hereof in which such word is used.

Reference herein to an Article number (e.g., Article IV) or a Section number (e.g., Section 6.2) shall be construed to be a reference to the designated Article number or Section number hereof unless the context or use clearly indicates another or different meaning or intent.

ARTICLE II.

REPRESENTATIONS

Section 2.1 Representations by Issuer. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

(a) organization and Authority. The Issuer is a public corporation and governmental agency of the State, created as a non-business corporation under and pursuant to Chapter 6 of Title 7 of the Rhode Island General Laws (1956), as amended, and constituted and established as a public body corporate and agency of the State by the Act. Under the provisions of the Act and its Articles of Association the Issuer has the power to enter into the transactions contemplated by the Issuer Documents and to carry out its obligations thereunder. Based upon representations made by the Obligor, the Project constitutes and will constitute a "project" within the meaning of the Act. The Issuer is not in default under its Articles of Association or under any obligation or indenture by which it is bound.

(b) Pending or Threatened Litigation. There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Issuer, threatened, against or affecting the Issuer in any court or before any governmental authority or arbitration board or tribunal, which involve the possibility of materially and adversely affecting the transactions contemplated by the Issuer Documents or which, in any way, would adversely affect the validity or enforceability of the Issuer Documents or any other agreement or instrument to which the Issuer is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or thereby.

(c) Issue, Sale and Other Transactions Are Legal and Authorized. The issuance and sale of the Bonds and the execution and delivery by the Issuer of the Issuer Documents and the compliance by the Issuer with all of the provisions thereof (i) are within the purposes, powers and authority of the Issuer, (ii) have been done in full compliance with the provisions of the Act, are legal and will not conflict with or constitute on the part of the Issuer a violation of or a breach of or default under, or result in the creation of any lien, charge or encumbrance upon any

property of the Issuer (other than as contemplated by the Issuer Documents) under the provisions of any charter instrument, by-law, indenture, mortgage, deed of trust, note agreement or other agreement or instrument to which the Issuer is a party or by which the Issuer is bound, or any license, judgment, decree, law, statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Issuer or any of its activities or properties and (iii) have been duly authorized by all necessary corporate action on the part of the Issuer.

(d) No Defaults. To the knowledge of the Issuer, no event has occurred and no condition exists with respect to the Issuer which would constitute an event of default under the Issuer Documents or which, with the lapse of time or with the giving of notice or both, would become an event of default under the Issuer Documents.

(e) No Prior Pledge. Neither this Lease nor any of the Pledged Revenues have been pledged or hypothecated in any manner or for any purpose other than as provided in the Indenture as security for the payment of the Bonds.

(f) Disclosure. The representations of the Issuer contained in the Issuer Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(g) Nature and Location of the Project. The financing of the Project is in furtherance of the public purpose for which the Issuer was created. The Project will be located within the City of Woonsocket, Rhode Island.

(h) Special Obligations. Notwithstanding anything herein contained to the contrary, and except as contemplated in the Mortgage Insurance Agreements, any obligation the Issuer may hereby incur for the payment of money shall not constitute an indebtedness of the State or of any political subdivision thereof within the meaning of any State constitutional provision or statutory limitation and shall not give rise to a pecuniary liability of the State or a political subdivision thereof, or constitute a charge

against the general credit or taxing power of the State or a political subdivision thereof, but shall be a special obligation of the Issuer payable solely from the Pledged Revenues, subject to the provisions of this Lease and the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein and therein.

(i) Pending Legislation. To the knowledge of the Issuer, no legislation, ordinance, rule or regulation has been enacted or introduced or favorably reported for passage by any governmental body, department or agency of the State or a decision by any court of competent jurisdiction of the State rendered which would adversely affect the exemption from all taxation (except for estate taxation in the State) of the interest on bonds and obligations of the general character of the Bonds issued by it.

(j) Certificates Deemed a Representation. Any certificate signed by any Authorized Issuer Representative shall be deemed a representation and warranty by the Issuer as to the statement made therein.

(k) All Necessary Consents. All consents, approvals, authorizations and orders of governmental or regulatory'authorities including but not limited to environmental approvals which are required for the consummation of the transactions contemplated to be performed by the Issuer for this Lease have been obtained.

(l) The Project. The Issuer has acquired, or will have acquired by the Closing, good and marketable title to the Premises and proposes to acquire, construct and/or install the Project or cause the Project to be acquired, constructed and/or installed and to lease the Project to the Obligor and to sell the Project to the Obligor upon the Obligor's exercise of the Obligor's option to purchase the Project, all for the purpose of promoting and furthering the public purposes of the Issuer as set forth in the Act.

It is specifically understood and agreed that the liability of the Issuer for the inaccuracy or nonfulfillment of any of the foregoing representations and warranties shall not constitute nor give rise to any pecuniary liability or charge against the general credit of the Issuer.

Section 2.2 Representations and Covenants of Obligor. The Obligor represents and covenants that:

(a) Corporate Organization and Power. The Obligor (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and (ii) has all requisite power and authority and all necessary licenses and permits (which can be obtained as of this date) to own and operate the properties and to carry on the business of the Obligor as now being conducted and as presently proposed to be conducted by the Obligor.

(b) Pending or Threatened Litigation. There are no actions, suits, proceedings, inquiries or investigations pending, or to the knowledge of the Obligor threatened, against or affecting the Obligor in any court or before any governmental authority or arbitration board or tribunal which involve the likelihood of materially and adversely affecting the properties, business, profits or condition (financial or otherwise) of the Obligor, or the ability of the Obligor to perform in all material respects the Obligor's obligations under the Obligor Documents.

(c) The Obligor Documents Are Legal and Binding. The execution and delivery by the Obligor of the Obligor Documents and the compliance by the Obligor with all of the provisions of each of the Obligor Documents (i) are within the power of the Obligor, (ii) will not conflict with or result in any breach of any of the provisions of or constitute a default under, or result in the creation of any lien, charge or encumbrance (other than Permitted Encumbrances) upon any property of the Obligor under the provisions of any agreement, charter document, by-law or other instrument to which the Obligor is a party or by which the Obligor may be bound or any applicable license, judgment, decree, law, statute, order, rule or regulation of any court or governmental agency or body having jurisdiction over the Obligor or any of the Obligor's activities or properties and (iii) have been duly authorized by all necessary corporate action of the part of the Obligor.

(d) Governmental Consent. Neither the Obligor nor any of the Obligor's business or properties, nor any relationship between the Obligor and any other person, nor any circumstances in connection with the execution, delivery and performance by the Obligor of

the Obligor Documents or to the best of Obligor's knowledge, the offer, issue, sale or delivery by the Issuer of the Bonds, is such as to require the consent, approval or authorization of, or the filing, registration or qualification with, any governmental authority by the Obligor other than those already obtained or which by the Closing will have been obtained, except that the Obligor makes no representations with respect to compliance with blue sky or federal or state securities laws or approvals by the Issuer or the IRBA, except as provided in the Bond Purchase Agreement.

(e) No Defaults. No event has occurred and no condition exists with respect to the Obligor that would constitute an Event of Default under this Lease or an event of default under any of the other Obligor Documents or the Indenture or which, with the lapse of time or with the giving of notice or both, would become an Event of Default under this Lease or an event of default under any of the other Obligor Documents or the Indenture. The Obligor is not in default with respect to an order of any court, governmental authority or arbitration board or tribunal or in violation in any material respect of any agreement, charter document, by-law or other instrument to which the Obligor is a party or by which the Obligor may be bound, the effect of which default or violation is materially adverse to the properties, business, profits or condition (financial or otherwise) of the Obligor.

(f) Compliance with Law. The Obligor is not in violation of any laws, ordinances, governmental rules or regulations to which the Obligor is subject and has not failed to obtain any licenses, permits, consents, franchises or other governmental authorizations necessary to the ownership of the Obligor's properties or to the conduct of the Obligor's business, which violation or failure to obtain might materially and adversely affect the properties, business, profits or conditions (financial or otherwise) of the Obligor.

(g) Disclosure. The representations of the Obligor contained in the Obligor Documents do not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(h) Certificates Deemed a Representation. Any certificate signed by any Authorized Obligor Representative shall be deemed a representation and warranty by the Obligor as to the statement made therein.

(i) Inducement. The issuance of the Bonds by the Issuer and the loan by the Issuer to the Obligor of the proceeds of the Bonds have induced the Obligor to locate the Project in the City of Woonsocket, Rhode Island.

(j) Financial Information. The financial statements of the Obligor given to the Issuer and the IRBA in connection with the issuance of the Bonds present fairly the financial position and results of operations of the Obligor at the dates and for the periods indicated and disclosed all liabilities, including contingent liabilities, of the Obligor required by generally accepted accounting principles to be disclosed in financial statements, and there has been no material adverse change since such date with respect to the net worth of the Obligor or any other matters contained or referred to therein and no additional material liabilities, including contingent liabilities, of the Obligor have arisen or been incurred since such date except as expressly contemplated by this Lease.

(k) The Project. (i) The Obligor intends to operate the Project or cause the Project to be operated from the Completion Date to the expiration or sooner termination of this Lease as provided herein as a "project" within the meaning of the Act;

(ii) The plans and specifications for the Project have been filed or will be filed by the Closing with all governmental authorities having jurisdiction over the Project; the Obligor has obtained or will obtain by the Closing all necessary approvals and building permits from said authorities; and construction in accordance with the plans and specifications and operation of the Project for the purposes intended by the Obligor will not violate (A) any zoning, building code, subdivision, planning or land use ordinance, regulation or law promulgated by any governmental agency, department or subdivision or (B) any restrictions of any kind affecting the Premises, in each case the violation of which would have a material adverse effect on the Obligor or the Project;

(iii) All utilities and services necessary for the operation of the Project for its intended purpose (including, without limitation, water, gas, electricity, telephone, storm and sanitary sewer facilities) are available at the boundary of the Premises, can be tapped into by the Obligor, and are of sufficient capacity to adequately meet all needs and requirements necessary for the operation of the Project for its intended purposes;

(iv) there is unrestricted access for the passage of motor vehicles to and from the Premises and to and from the main road upon which the Premises front and all required curb cut or access permits (if any) have been obtained;

(v) no part of the Premises is located in a designated flood hazard area (as defined in the Flood Disaster Protection Act of 1973);

(vi) at the Closing there will be no easements, restrictions or encumbrances across or affecting the Premises which will have any material adverse effect upon the operation of the Project for its intended purpose, nor which will in any way materially interfere with the construction of the Project; and

(vii) neither the Obligor nor, to the best of Obligor's knowledge, any other person: (a) has ever caused, permitted or suffered any Hazardous Material to be spilled, placed, held, located or disposed of on, nor is any Hazardous Material presently existing on, the Premises, or into the atmosphere, any body of water, any wetlands, or on any other real property legally or beneficially owned by the Obligor in violation of Environmental Laws, (b) has ever used in violation of Environmental Laws the Premises or any other real property legally or beneficially owned by the Obligor as a treatment, storage or disposal (whether permanent or temporary) site in violation of Environmental Laws for any Hazardous Material, and (c) has any knowledge, after due inquiry, of any notice of violation, liens or other notices issued by any governmental agency with respect to the environmental condition of the Premises.

(l) Tax Representations. The Obligor has not taken and will not take any action and knows of no action that any other Person has taken or intends to take, which would cause interest on the Bonds to be

includable in the gross income of the holders thereof for Federal income tax purposes. The representations, certifications and statements of reasonable expectation made by the Obligor in its Tax Regulatory Agreement relating to Project description, composite issues, bond maturity, average asset economic life, use of Bond proceeds, capital expenditures, arbitrage and related matters are hereby incorporated by this reference as though fully set forth herein.

ARTICLE III.

LEASE OF PROJECT

Section 3.1 Lease of Project. The Issuer hereby leases the Project to the Obligor and the Obligor hereby leases the Project from the Issuer for and during the Lease Term subject to the terms and conditions herein set forth. The Issuer has delivered to the Obligor and the Obligor has accepted sole and exclusive possession of the Premises. The Issuer shall deliver to the Obligor sole and exclusive possession of the balance of the Project upon completion thereof and the Obligor shall accept possession thereof at such time. The Obligor shall be permitted such possession of the Project prior to such date for delivery of sole and exclusive possession as shall be necessary for the acquisition, construction and/or installation of the Project.

ARTICLE IV.

COMMENCEMENT AND COMPLETION OF PROJECT;
ISSUANCE OF BONDS

Section 4.1 Agreement to Acquire, Construct and/or Install the Project. Concurrently herewith, title to the Premises and any improvements constituting the Project have been conveyed to the Issuer by quitclaim deed, free and clear from all claims, liens, charges, servitudes and encumbrances except Permitted Encumbrances. The Obligor shall bear all costs and expenses in connection with the preparation of the deed and any related instruments and documents, the delivery of any of said instruments and documents and their filing and recording, if required, and all taxes and charges payable in connection with any of the foregoing or the conveyance and transfer of such real property. All taxes, assessments and other charges and impositions in connection with the Premises which shall be attributable to periods prior to the conveyance thereof as provided in this Section 4.1 shall be also paid by the Obligor.

As promptly as possible after receipt of the proceeds of the Bonds, the Obligor agrees to cause, on behalf of Issuer, the Project to be acquired, constructed and/or installed in accordance with the plans and specifications therefor prepared by or on behalf of the Obligor and on file with the Trustee, as the same may be amended from time to time. In connection therewith, the Obligor shall retain a Project Supervisor and pay all expenses in connection with the retention and performance by the Project Supervisor of its obligations set forth herein.

The Obligor may cause such changes to be made to the plans and specifications for the Project prior to the Completion Date as it may desire, provided that (i) such changes shall not result in the Project not being a "project" within the meaning of the Act, (ii) such changes shall not result in less than all of the Net Proceeds of the sale of the Bonds being used to pay the costs of land or property of a character subject to the allowance for depreciation under Section 167 of the Code, (iii) such changes shall not result in a violation of the limitation on maturity of the Bonds under Section 147(b) of the Code, and (iv) the IRBA has given its approval in writing to such changes.

The Obligor agrees to acquire, construct and/or install the Project with all reasonable dispatch and to use best efforts to cause said acquisition and construction to be completed as soon as practicable, delays incident to strikes, riots, acts of God or the public enemy beyond the reasonable control of the Obligor only excepted, but if said acquisition, construction

and/or installation is not completed within the time herein contemplated there shall be no resulting liability on the part of the Obligor and no diminution in or postponement or abatement of the payments required in Section 5.3 to be paid by the Obligor.

The Project Supervisor shall certify that the acquisition, construction and/or installation of the Project is in accordance with the aforementioned plans and specifications. The cost of such acquisition, construction and/or installation shall be paid from the Project Fund established under the Indenture.

The Obligor covenants to take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers, if any be so engaged, to complete their contracts diligently in accordance with the terms of said contracts, including, without limitation, the correcting of any defective work.

In addition, the Obligor agrees to obtain or cause to be obtained, prior to the commencement of the construction of the Project, payment and performance bonds from each contractor in the amount of said contractor's contract price. Said bonds shall contain dual obligee riders naming the Issuer, the Trustee and the IRBA as additional insureds and shall be evidenced to the Issuer and the Trustee as soon as it is available.

Section 4.2 Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for disbursement of funds referred to in Section 4.3 herein, the Issuer agrees that as soon as possible it will authorize, sell and qause to be delivered to the Purchaser the Bonds, bearing interest and maturing as set forth in Article II of the Indenture, at a price to be approved by the Obligor plus accrued interest (if any) to the date of issuance and delivery of the Bonds, and it will thereupon deposit all accrued interest (if any) received upon the sale of the Bonds in the Bond Fund and will deposit the balance of the proceeds from said sale in the Project Fund.

Section 4.3 Disbursements from the Project Fund. The Issuer will in the Indenture authorize and direct the Trustee to use the moneys in the Project Fund for payment of the following Project costs incurred after May 18, 1992, subject to the provisions of Section 4.7 herein, and for no other purposes:

(a) Costs incurred directly or indirectly for or in connection with the acquisition, construction and/or installation of the Project, including costs

incurred in respect of the Project for preliminary planning and studies; architectural, legal, engineering, accounting, consulting, supervisory and other services; labor, services and materials; and recording of documents and title work.

(b) Premiums attributable to payment and performance bonds and insurance required to be taken out and maintained during the Construction Period with respect to the Project.

(c) Taxes (other than State sales taxes for which the Obligor will be reimbursed), assessments and other governmental charges in respect of the Project that may become due and payable during the Construction Period.

(d) Costs incurred directly or indirectly in seeking to enforce any remedy against any contractor or subcontractor in respect of any actual or claimed default under any contract relating to the Project.

(e) Financial, legal, accounting, printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, including, without limitation, the fees and expenses of the Trustee, the Bond Registrar, the Paying Agent and any Co-Paying Agent properly incurred under the Indenture that may become due and payable during the Construction Period.

(f) Any other costs, expenses, fees and charges properly chargeable to the cost of acquisition, construction and/or installation of the Project.

(g) Interest on the Bonds during the Construction Period to be paid into the Bond Fund.

(h) Amounts to be transferred to the Rebate Fund representing investment earnings on moneys in the Project Fund.

All moneys remaining in the Project Fund (including moneys earned on investments made pursuant to the provisions of Section 4.7 herein) after the Completion Date and payment in full of the costs of the acquisition, construction and/or installation of the Project, and after payment of all other items provided for in the preceding subsections of this Section then due and payable, shall at the written direction of the

Obligor with the consent of the IRBA be (i) used to acquire, construct and/or install additions, extensions and improvements to the Project in accordance with amended plans and specifications therefor duly filed with the Trustee, (ii) used by the Trustee, to the maximum extent practicable, for the partial redemption of Bonds at the earliest date permitted by the Indenture or the purchase of Bonds for the purpose of cancellation at any time prior to the earliest date permitted by the Indenture for the redemption of Bonds or (iii) used in a combination of (i) and/or (ii) as is provided in such direction, provided that amounts approved by the Authorized Obligor Representative shall be retained by the Trustee in the Project Fund for payment of costs not then due and payable. Any balance remaining of such retained moneys after full payment of all such Project costs shall be used by the Trustee as directed by the Obligor in the manner specified in clauses (i), (ii) or (iii) of this subsection. Amounts directed by the Obligor to be used by the Trustee to redeem Bonds or to purchase Bonds for the purpose of cancellation shall not, pending such use, be invested at a yield which exceeds the yield on the Bonds. Such amounts shall not be directed by the Obligor to be used for the purposes described in clauses (i), (ii) or (iii) without providing the Trustee with an opinion of Bond Counsel stating that such use will not impair the exemption of the interest on the Bonds from Federal income taxation pursuant to Section 103(a) of the Code.

The payments specified in subsections (a) through (g) of this Section shall be made by the Trustee only upon receipt of a written requisition for such payment signed by the Authorized Obligor Representative, reviewed and approved by the Project Supervisor (except as to disbursements for costs of issuance of the Bonds and acquisition of the Premises and reimbursement of Trustee expenses), and acknowledged by an Authorized Issuer Representative. Such payments (except as to disbursements for costs of issuance of the Bonds) shall be made only upon prior receipt by the Issuer and the Trustee of approval of the Project by the State Planning Council. All requisitions must also be approved in writing by the IRBA. In addition, each requisition (other than a requisition for costs of issuance of the Bonds) shall be accompanied by an endorsement to the title insurance policy required under Section 6.9 of this Lease by an agent of the title company rendering such title insurance policy. Such requisition shall be in substantially the form attached hereto as Exhibit "C" and by this reference thereto made a part hereof.

Each such requisition shall have attached, for each item for which payment or reimbursement is sought, evidence of payment (e.g. paid invoices or cancelled checks) or evidence

that payment is due to a party other than the Obligor, in either case satisfactory to the Trustee. A duplicate copy of each such requisition shall be furnished to the Issuer and the IRBA simultaneously with the filing of the original with the Trustee.

In making any such payment from the Project Fund, the Trustee may rely on any such requisition and any such certificates delivered to it pursuant to this Section and the Trustee shall be relieved of all liability with respect to making such payments in accordance with such requisitions and such supporting certificate or certificates without inspection of the Project or any other investigation.

The Obligor agrees and convenants for the benefit of the Trustee and the holders of the Bonds that the proceeds of the Bonds and any investments directed by the Obligor to be made will not be used or invested in any manner which would cause the interest on the Bonds to be included in the gross income of the holders for Federal income tax purposes.

Section 4.4 Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Issuer and the Obligor agree to cooperate with each other in furnishing to the Trustee the documents referred to in Section 4.3 herein that are required to effect payments out of the Project Fund and to cause such requisitions and certificates to be directed by the Authorized Obligor Representative and the Authorized Issuer Representative to the Trustee as may be necessary to effect such payments. Such obligation of the Issuer and the Obligor is subject to any provisions hereof or of the Indenture requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Project Fund available for payment under the terms of the Indenture.

Section 4.5 Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by the Project Supervisor stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.3 herein, the acquisition, construction and/or installation of the Project have been completed substantially in accordance with the plans and specifications therefor and charges for all labor, services, materials, supplies and/or equipment used in such acquisition, construction and/or installation have been paid. Such certificate by the Project Supervisor shall state that it is given without prejudice to any rights against third parties which exist on the date of such certificate or which may subsequently come into being.

Section 4.6 Obligor Required to Pay Project Costs If Project Fund Insufficient. If the moneys in the Project Fund available for payment of the costs of the Project should not be sufficient to pay the costs thereof in full, the Obligor agrees to complete the Project and to pay that portion of the costs of the Project as may be in excess of the moneys available therefor in the Project Fund. The Issuer does not make any warranty, either express or implied, that the moneys which will be paid into the Project Fund and which, under the provisions hereof, will be available for payment of the costs of the Project, will be sufficient to pay all the costs which will be incurred in that connection. The Obligor agrees that if after exhaustion of the moneys in the Project Fund the Obligor should pay any portion of the costs of the Project pursuant to the provisions of this Section, the Obligor shall not be entitled to any reimbursement therefor from the Issuer or from the Trustee or from the holders of any of the Bonds, nor shall the Obligor be entitled to any diminution in or postponement or abatement of the payments required to be made by the Obligor under Section 5.3 herein.

Section 4.7 Investment of Bond Fund, Project Fund, Rebate Fund and Tax Escrow Fund Moneys. While the Mortgage Insurance Agreements are not in effect, any moneys held in the Project Fund shall be invested or reinvested by the Trustee upon the written request and direction of the Obligor exclusively in obligations which constitute Permitted Investments at a yield not in excess of the yield on the Bonds to the extent permitted by the laws of the State in the manner provided in Article VII of the Indenture. While the Mortgage Insurance Agreements are not in effect, any moneys held in the Rebate Fund, the Bond Fund (excluding the Collateral Account) and the Tax Escrow Fund and while the Mortgage Insurance Agreements are in effect, any moneys held in the Project Fund, the Rebate Fund, the Bond Fund and the Tax Escrow Fund shall be invested or reinvested by the Trustee, upon the request and direction of the Obligor, in Permitted Investments, to the extent permitted by the laws of the State in the manner provided in Article VII of the Indenture.

Section 4.8 Obligor to Pursue Remedies Against Suppliers, Contractors and Subcontractors and Their Sureties. The Obligor shall be entitled to proceed, either separately or in conjunction with others, against any defaulting supplier, contractor or subcontractor and against any surety therefor, for the performance of any contract made in connection with the Project and shall be entitled to prosecute or defend any action or proceeding or take any other action involving any such supplier, contractor, subcontractor or surety which the Obligor deems reasonably necessary.

Section 4.9 Application of Certain Moneys. Any amount deposited in the Bond Fund pursuant to Sections 6.4, 6.9, 7.2, 7.3 or 9.3 herein shall be used, to the extent practicable in the opinion of the Trustee with the consent of the Obligor, for the purchase of Bonds in the open market for purposes of cancellation or for the redemption of Bonds within one year of receipt of that amount, if permitted pursuant to the optional redemption provisions of the Indenture. If, in the opinion of the Trustee, that is not practicable or there is any balance remaining after that application, the remaining amount shall be credited against the portion of the next succeeding rental payment as represents the payment of principal of the Bonds to become due and payable on the next Principal Payment Date.

ARTICLE V.

EFFECTIVE DATE OF THIS LEASE; DURATION OF
LEASE TERM; RENTAL PAYMENTS AND ADDITIONAL PAYMENTS

Section 5.1 Effective Date of This Lease; Duration of Lease Term. This Lease shall become effective upon its execution and delivery and the rights and obligations created hereby shall then begin, and, subject to the other provisions hereof, this Lease shall expire as of June 1, [last date on Bonds] or the date that all the Bonds have been fully paid or provision made for such payment, whichever is later.

Section 5.2 Covenant of Quiet Enjoyment. The Issuer agrees that so long as the Obligor shall pay the rent and all other sums payable by it under this Lease and shall duly observe all the covenants, stipulations and agreements herein contained, the Obligor shall have, hold and enjoy, during the Lease Term, peaceful, quiet and undisputed possession of the Project, and the Issuer shall from time to time take all necessary action to that end to the extent that any third parties claim an interest in the Project adverse to the Obligor's interest under or through the Issuer.

Section 5.3 Rental Payments.

(a) As rental payments, the Obligor agrees to pay to the Trustee, as assignee and pledgee of and for the account of the Issuer, for deposit in the Bond Fund, (i) not later than each Obligor Payment Date the amounts set forth in the next paragraph hereof; and (ii) in the case of an optional redemption, not later than the 151st day before each date on which premium on the Bonds shall become due, (or such other date as shall be satisfactory to the Issuer pursuant to a written opinion as to the status of such funds issued by nationally recognized bankruptcy counsel selected by the Obligor and satisfactory to the Issuer) such amounts sufficient, together with any moneys then held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to pay, as applicable, the principal of, premium (if any) and the interest on, the Bonds as the same become due on such date, whether at maturity, upon redemption or by acceleration or otherwise.

The amount to be paid on each Obligor Payment Date pursuant to (a)(i) above shall equal (i) one-sixth the interest on the Bonds payable on the next Interest Payment Date except that for the Obligor Payment Dates through and including, November 1, 1992, the Obligor shall pay 1/4 of the amount of interest coming due on December 1, 1992 plus (ii) one-twelfth the

principal of the Bonds payable on the next Principal Payment Date; except with respect to the principal payment due June 1, 1993, the Obligor shall pay a sum derived by multiplying the principal payable on such date by a fraction of the numerator of which is one (1) and the denominator of which is the number of months from the delivery of the Mortgage Insurance Agreements up to and including June 1, 1993. In the event that the Mortgage Insurance Agreements have not been executed and delivered by May 1, 1993, the amount payable on that date shall be the amount payable as principal on the Bonds on June 1, 1993.

Notwithstanding anything herein to the contrary, if on any date on which principal of, or premium (if any) or interest on the Bonds is due, the amount theretofore paid by or on behalf of the Obligor hereunder is, for any reason, insufficient to make the required payment on the Bonds on such date, the Obligor hereby agrees to immediately pay an amount equal to such deficiency to the Trustee. All such payments shall be made to the Trustee at its principal corporate office in lawful money of the United States of America which will be immediately available on the date each such payment is due.

(b) On the date of issuance of the Bonds, an amount equal to the Collateral Account Requirement shall be deposited by the Obligor in the Collateral Account in the Bond Fund in the form of a Letter of Credit. While the Mortgage Insurance Agreements are not in effect, the Obligor agrees to maintain the Collateral Account Requirement and in furtherance thereof, to pay the Trustee on demand for deposit in the Collateral Account in the Bond Fund, an amount equal to the difference, if any, between the Collateral Account Requirement and the amount in the Collateral Account as of that date. Such payment shall be in the form of a Letter of Credit. Such Collateral Account is to be drawn upon by the Trustee while the Mortgage Insurance Agreements are not in effect in the case of an acceleration of the indebtedness evidenced by the Bonds pursuant to Section 9.2 of the Indenture to the extent that funds in the Project Fund plus Eligible Funds in the Obligor Payments Account are insufficient to pay principal of, and interest on, the Bonds.

(c) Anything herein, in the Indenture or in the Bonds to the contrary notwithstanding, the obligations of the Obligor hereunder shall be subject to the limitation that payments constituting interest under this Section shall not be required to the extent that the receipt of such payments by the holder of any Bond would be contrary to the provisions of law applicable to such holder which limit the maximum rate of interest which may be charged or collected by such holder. If, from any circumstance whatsoever, such holder should ever

receive as interest an amount which would exceed the maximum rate of interest which may be charged or collected by such holder, such amount which would be excessive interest shall be applied to the reduction of the principal of the Bonds and not to the payment of interest.

Section 5.4 Administrative Expenses. So long as any portion of the principal amount of the Bonds remains outstanding, the Obligor covenants and agrees to pay monthly on each Obligor Payment Date one-twelfth of the Issuer's annual Administrative Expenses.

The Obligor shall pay, or cause to be paid either out of its own funds or, with respect to obligations incurred prior to the Completion Date, out of the Project Fund (i) the reasonable fees and charges of the Issuer, as and when the same become due, including the reasonable fees of its Counsel, (ii) the reasonable fees and expenses of the Trustee for acting as Trustee under the Indenture, as and when the same becomes due, including the reasonable fees of their Counsel, (iii) the reasonable fees and expenses of the Paying Agent and any Co-Paying Agent for acting as Paying Agent and Co-Paying Agent, respectively, for the Bonds, as and when the same become due, including the reasonable fees of their Counsel and (iv) the reasonable fees and expenses of the Bond Registrar for acting as Bond Registrar, as and when the same become due, including the reasonable fees of its Counsel.

Except as otherwise provided in the Indenture, the Trustee shall have a lien on the Project Fund and the Bond Fund held by the Trustee under the Indenture as security for the payment of any fees and expenses due to the Trustee pursuant to this Section.

If the Obligor should fail to make any of the payments required in this Section, the payment which the Obligor has failed to make shall continue as an obligation of the Obligor until the same shall have been fully paid, and the Obligor agrees to pay the same with interest thereon at the rate per annum equal to the Prime Rate until paid in full.

Section 5.5 Obligations of Obligor Hereunder Absolute and Unconditional. The obligations of the Obligor to make the payments required to be made in Section 5.3 herein and to perform and observe the other agreements on the Obligor's part contained herein shall be absolute and unconditional and shall not be subject to diminution by set-off, counterclaim, abatement or otherwise. Until such time as the principal of, the redemption premium (if any) and the interest on, the Bonds shall have been paid in full, the Obligor (a) will not suspend

or discontinue any payments required to be made under Section 5.3 herein except to the extent the same have been prepaid, (b) will perform and observe all of the other agreements contained herein and (c) except as provided in Article XI herein, will not terminate the Lease Term for any cause, including, without limiting the generality of the foregoing, failure of the Obligor to complete the Project, any acts or circumstances that may constitute failure of consideration, sale, loss, eviction or constructive eviction, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection herewith or with the Indenture. Nothing contained in this Section shall be construed to release the Issuer from the performance of any of the agreements on its part herein contained. The Obligor may, however, at the Obligor's own cost and expense and in the Obligor's own name or in the name of the Issuer, prosecute or defend any action or proceeding or take any other action involving third persons which the Obligor deems reasonably necessary in order to insure the acquisition, construction and/or installation of the Project or to secure or protect the Obligor's right of possession, occupancy and use thereof, and in such event the Issuer hereby agrees to cooperate fully with the Obligor.

Nothing contained herein shall be construed as a waiver of any rights which the Obligor may have against the Issuer under this Lease, or against any person under this Lease, the Indenture or otherwise, or under any provision of law.

Section 5.6 Obligor Consent to Assignment of Lease and Execution of Indenture. The Obligor understands that the Issuer, as security for the payment of the principal of, the premium (if any) and the interest on the Bonds, will assign and pledge to, and create a security interest in favor of, the Trustee pursuant to the Indenture in certain of its rights, title and interest in and to this Lease including all Pledged Revenues, reserving, however, certain of its rights as set forth in the Indenture. The Obligor hereby agrees and consents to such assignment and pledge, acknowledges receipt of a copy of the Indenture and consents to the execution of the Indenture by the Issuer.

The Issuer and the Obligor recognize and agree that the assignment and pledge by the Issuer of its rights in this Lease to the Trustee pursuant to the Indenture shall not extinguish any of the rights or protections of the Issuer under this Lease, including, but not limited to, the provisions relating to indemnification and insurance protection.

Section 5.7 Obligor's Performance Under Indenture. The Obligor agrees, for the benefit of the holders of the Bonds, to do and perform all acts and things contemplated in the Indenture to be done or performed by the Obligor.

Section 5.8 Rebate Payments. The Obligor hereby agrees to comply with the provisions of the Code and the Tax Regulatory Agreement with respect to the rebate requirement set forth therein, including the timely payment of the Rebate Amount to the Trustee for deposit in the Rebate Fund.

Section 5.9 Mortgage Insurance Agreements. The Obligor may deliver to the Trustee at any time on or before February 5, 1993 or, if the IRBA's commitment to issue the Mortgage Insurance Agreements is extended, on or before such later date to which the IRBA's commitment to issue the Mortgage Insurance Agreements is extended, fully executed and effective Mortgage Insurance Agreements in form satisfactory to the Trustee, accompanied by an opinion of counsel to the IRBA that the Mortgage Insurance Agreements have been duly authorized, executed and delivered by the IRBA and constitute legal, valid and binding obligations of the IRBA, enforceable in accordance with their terms.

ARTICLE VI.

MAINTENANCE, MODIFICATION, TAXES AND INSURANCE

Section 6.1 Compliance with Legal and Insurance Requirements. The Obligor, at the Obligor's expense, shall promptly comply with all Legal Requirements and Insurance Requirements, and shall procure, maintain and comply with all permits, licenses and other authorizations required for any use being made of the Project or any part thereof then being made or anticipated to be made, and for the proper construction, installation, operation and maintenance of the Project or any part thereof, and will comply with any instruments of record at the time in force burdening the Project or any part thereof. The Obligor may, at the Obligor's expense and after prior written notice to the Trustee and the IRBA, by any appropriate proceedings diligently prosecuted, contest in good faith any Legal Requirement and postpone compliance therewith pending the resolution or settlement of such contest provided that such postponement does not, in the opinion of counsel to the Obligor satisfactory to the Trustee and the IRBA, materially affect the lien or security interests created or contemplated by the Indenture as to any part of the Project or subject the Project, or any part thereof, to imminent loss or forfeiture.

Section 6.2 Maintenance and Use of Project. The Obligor, at the Obligor's expense, will keep or cause to be kept the Project in good order and condition (ordinary wear and tear excepted) and will make all necessary or appropriate repairs, replacements and renewals thereof, interior, exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen. The Obligor will not do, or permit to be done, any act or thing which might materially impair the value or usefulness of the Project or any part thereof, will not commit or permit any material waste of the Project or any part thereof, and will not permit any unlawful occupation, business or trade to be conducted on the Project or any part thereof. The Obligor shall also, at the Obligor's expense, promptly comply with all rights of way or use, privileges, franchises, servitudes, licenses, easements, tenements, hereditaments and appurtenances forming a part of the Project and all instruments creating or evidencing the same, in each case, to the extent compliance therewith is required of the Obligor under the terms thereof.

Section 6.3 Additions, Modifications and Improvements. The Obligor may, in the Obligor's discretion and at the Obligor's expense, make from time to time any additions, modifications or improvements to the Project which the Obligor may deem desirable for business purposes provided that no such

additions, modifications or improvements shall, (a) in the opinion of the Project Supervisor, or, if the Project Supervisor is no longer retained by the Obligor, in the opinion of the IRBA or the IRBA's designee, adversely affect the structural integrity or strength of any improvements constituting a part of the Project or materially interfere with the usd and operation thereof, or (b) in the opinion of the Trustee, have a materially adverse effect on the value of the Project. All additions, modifications and improvements so made by the Obligor shall become or be deemed to constitute a part of the Project, except as hereinafter provided.

The Obligor may from time to time install Personal Property, as herein defined, in or upon the Project. All such Personal Property shall remain the sole property of the Obligor and shall not be deemed part of the Project. The Personal Property may be removed at any time by the Obligor provided if any such removal will cause damage to any part of the Project, the Obligor shall repair such damage at the Obligor's expense.

Section 6.4 Substitutions and Removals. If the Obligor, in the Obligor's reasonable discretion, determines that any part of the Project shall have been inadequate, obsolete, worn-out, unsuitable, undesirable or unnecessary or should be replaced, the Obligor may remove such items with the written consent of the IRBA provided that such removal (taking into account any substitutions) shall not impair the operation of the Project and providing that the Obligor shall:

(a) substitute and install as part of the Project property of equal or greater utility and value, as determined by the Obligor (but not necessarily fulfilling the same function in the operation of the Project) as the removed property, which such substituted property shall be free from all liens and encumbrances (other than Permitted Encumbrances) and shall become part of the Project; or

(b) in the case of removal of property without substitution, promptly pay to the Trustee for deposit in the Bond Fund and application as provided in Section 4.9 herein an amount equal to (i) if the removed property is sold or scrapped, the proceeds of such sale or the scrap value thereof, (ii) if the removed property is used as a trade-in for property not to be installed as part of the Project, the trade-in credit received by the Obligor or (iii) in the case of the retention of such removed property by the Obligor for other purposes, the fair market value of such property, as determined by the Project

Supervisor or, if the Project Supervisor is no longer retained by the Obligor, in the opinion of the Trustee or the Trustee's designee and the IRBA.

If, prior to any such removal, the Obligor shall have acquired and installed personal property with the Obligor's own funds which have become a part of the Project, the Obligor may credit the amount so spent against the requirement that it either substitute other property or make payment under this Section on account of such removal, provided that such previously acquired and installed property meets the requirements for substituted property under this Section.

The Obligor shall promptly report to the Trustee and the IRBA in writing each such removal, substitution, sale or other disposition and shall pay for deposit in the Bond Fund to the Trustee such amounts as are required by the provisions of the preceding subsection (b) of this Section promptly after the sale, trade-in or other disposition requiring such payment; provided, however, that no such payment need be made until the amount to be paid to the Trustee on account of all such sales, trade-ins or other dispositions not previously paid aggregates at least $50,000.

At the request of the Trustee or the IRBA, the Obligor shall deliver to the Trustee and the IRBA such instruments, including Financing Statements and amendments thereof, that are necessary or advisable to perfect the Trustee's and/or the IRBA's lien upon any security interest in any personal property installed in substitution for any property removed pursuant to this Section. Upon the request of the Obligor, the Trustee shall execute and deliver to the Obligor appropriate instruments releasing any property removed pursuant to this Section from any liens and security interests.

Section 6.5 Payment of Taxes and Other Governmental Charges. Subject to Section 8.10, the Obligor shall pay, promptly when due and before penalty or interest accrue thereon, all taxes, payments in lieu of taxes, assessments, whether general or special, and other governmental charges of any kind whatsoever, foreseen or unforeseen, ordinary or extraordinary, that now or may at any time hereafter be assessed or levied against or with respect to the Project or any part thereof (including, without limitation, any taxes levied upon or with respect to the revenues, income or profits of the Obligor from the Project) which, if not paid, may become or be made a lien on the Project, or any part thereof, or a charge on such revenues, income or profits.

Notwithstanding the preceding paragraph, the Obligor may, at the Obligor's expense and after prior written notice to the Trustee, by appropriate proceedings diligently prosecuted, contest in good faith the validity or amount of any such taxes, payments in lieu of taxes, assessments or other charges and during the period of contest, need not pay the items so contested. However, if at any time the Trustee or the IRBA shall deliver to the Obligor an opinion of Counsel to the effect that by nonpayment of any such items, any lien or security interest as to any part of the Project will be materially affected or the Project or any part thereof will be subject to imminent loss or forfeiture, the Obligor shall promptly pay such taxes, payments in lieu of taxes, assessments or charges. During the period when the taxes, payments in lieu of taxes, assessments or other charges so contested remain unpaid, the Obligor shall set aside on the Obligor's books adequate reserves with respect thereto.

Section 6.6 Mechanics' and Other Liens. The Obligor shall not permit any mechanics' or other liens to be filed or to exist against the Project by reason of work, labor, services or materials supplied or claimed to have been supplied to, for or in connection with the Project or to the Obligor or anyone holding the Project or any part thereof through or under the Obligor. If any such lien shall at any time be filed, the Obligor shall, within thirty days after notice of the filing thereof but subject to the right to contest as set forth herein, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Notwithstanding the foregoing, the Obligor shall have the right, at the Obligor's expense and after prior written notice to the Trustee and the IRBA, by appropriate proceedings duly instituted and diligently prosecuted, to contest in good faith the validity or the amount of any such lien. However, if the Trustee or the IRBA shall deliver to the Obligor an opinion of Counsel to the effect that by nonpayment of any such items, any lien or security interests will be materially affected or the Project or any part thereof will be subject to imminent loss or forfeiture, the Obligor shall promptly cause such lien to be discharged of record.

Section 6.7 Insurance. The Obligor shall keep the Project continuously insured against loss or damage by fire, lightning, vandalism and malicious mischief and all other perils covered by standard "extended coverage" or "all risks" policies in the State, and against such other perils as the Issuer and the IRBA may reasonably require for projects of the type of the Project in the Woonsocket area, in an amount equal to the lesser of (a) outstanding principal amount of Bonds plus interest thereon or (b) 100% of the replacement cost of the

Facilities and Equipment, without deduction for depreciation, and containing a replacement cost endorsement, in either case with a deductible, if any, satisfactory to the IRBA and the Issuer. In no event shall the amount of insurance required hereunder be less than the amount necessary to avoid co-insurance. For purposes of establishing the amount of the insurance coverage, replacement cost of the Facilities shall be determined not more frequently than at bi-annual intervals upon written request of the IRBA by a competent appraiser, appraisal company or one of the insurers acceptable to the Trustee and the IRBA.

The Obligor shall keep and maintain comprehensive general accident and public liability insurance in the minimum amounts of $2,000,000 in the aggregate and $1,000,000 per occurrence for death or bodily injury resulting from each occurrence in connection with the Project and other property and operations of the Obligor and $1,000,000 for property damages for any occurrence in connection with the Project and other properties and operations of the Obligor, without a loss deductible. Liability insurance coverage shall be increased to such larger amounts as the Issuer and the IRBA may reasonably determine to be appropriate in light of inflationary increases, the operations conducted by the Obligor and the insurance coverage carried by other entities conducting similar operations.

All insurance shall be obtained and maintained either by means of policies with generally recognized, responsible insurance companies or in conjunction with other companies through an insurance trust or other arrangements satisfactory to the Trustee, the Issuer and the IRBA but in any event with an insurance company or companies with a Best rating of "A XII" or better, and all such companies are to be qualified to do business in the State. The insurance to be provided may be by blanket policies. Each policy of insurance shall be written so as not to be subject to cancellation or substantial modification upon less than thirty days' advance written notice to the Trustee, the Issuer and the IRBA. The Obligor shall deposit with the Trustee, the Issuer and the IRBA certificates or other evidence satisfactory to the Trustee, the Issuer and the IRBA that (i) the insurance required hereby has been obtained and is in full force and effect and (ii) all premiums thereon have been paid in full. Prior to the expiration of any such insurance, the Obligor shall furnish the Trustee, the Issuer and the IRBA with evidence satisfactory to the Trustee, the Issuer and the IRBA that such insurance has been renewed or replaced and that all premiums thereon have been paid in full and all insurance policies required hereby are in full force and effect. The Obligor shall file with the Trustee, the Issuer and the IRBA a copy of any claim it may make under the property insurance coverage which claim is in excess of $25,000.

All policies providing the property insurance coverage shall contain standard mortgage clauses requiring all proceeds resulting from any claim for loss or damage to be paid to the Trustee and the IRBA, as their interests may appear, and any net proceeds of such insurance shall be paid and applied as provided in Section 7.2 hereof. Any proceeds of policies providing liability insurance coverage shall be applied toward the extinguishment or satisfaction of the liability with respect to which such insurance proceeds have been paid and shall name the Trustee, the Issuer and the IRBA as additional insureds.

Section 6.8 Workers' Compensation Coverage. The Obligor shall maintain or cause to be maintained in connection with the Project any workers' compensation coverage required by the applicable laws of the State.

Section 6.9 Title Insurance. The Obligor covenants that the Obligor will obtain and deliver simultaneously with the execution of this Lease a title insurance policy satisfactory to the Issuer, the Trustee and the IRBA insuring the Issuer's interest in the Premises, the priority of the Mortgage and naming the IRBA as an additional insured as its interest may appear. Any proceeds of such title insurance shall be paid to the Trustee for deposit in the Bond Fund in accordance with Section 4.9 herein, except that, if so requested by the Obligor, such proceeds shall be applied to remedy the defect in title.

ARTICLE VII.

DAMAGE, DESTRUCTION AND CONDEMNATION

Section 7.1 Damage to or Destruction of Project. Subject to the insurance provisions of the Mortgage, in case of any material damage to or destruction of the Project or any part thereof, the Obligor will promptly give or cause to be given written notice thereof to the Trustee and the IRBA generally describing the nature and extent of such damage or destruction. Unless in lieu thereof all outstanding Bonds are to be redeemed pursuant to this Lease and the Indenture, the Obligor shall, whether or not the net proceeds of insurance, if any, received on account of such damage or destruction shall be sufficient for such purpose, promptly commence and complete, or cause to be commenced and completed, the repair or restoration of the Project as nearly as practicable to the value, condition and character thereof existing immediately prior to such damage or destruction, with such changes or alterations, however, as the Obligor may deem necessary for proper operation of the Project.

The Issuer, the Trustee, the IRBA and the Obligor shall cooperate and consult with each other in all matters pertaining to the settlement, compromise or arbitration of any material claim on account of any damage or destruction to the Project. In no event prior to default will the Issuer voluntarily settle, or consent to the settlement of, any proceeding arising out of any material damage or destruction of the Project without the written consent of the Obligor.

Section 7.2 Use of Insurance Proceeds. In connection with the repair or restoration of the Project pursuant to Section 7.1 hereof, net proceeds of property insurance coverage shall be paid to and held by the Trustee in a separate insurance loss account of the Bond Fund, for application of as much as may be necessary for the payment of the costs of repair or restoration, either on completion thereof or as the work progresses, as directed by the Obligor. The Trustee may, prior to making payment from such loss account, require the Obligor to provide evidence that, or deposit with the Trustee moneys to be placed in such account so that, there will be adequate moneys available for such repair and restoration. The Trustee shall not be obligated to make any payment from such account if there exists an Event of Default. Any balance of the net proceeds of insurance (together with any investment income therefrom) held by the Trustee remaining after payment of all costs of such repair or restoration shall be paid to the Trustee for deposit into the Bond Fund for application as provided in Section 4.9 herein.

If, in lieu of repair or restoration, all outstanding Bonds are to be redeemed pursuant to this Lease, an amount equal to any net proceeds of insurance received by the Trustee prior to such redemption shall (together with any investment income therefrom) be applied by the Trustee to the redemption of the Bonds pursuant to this Lease and the Indenture.

Section 7.3 Eminent Domain. If title to or the temporary use of the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Obligor will promptly give written notice thereof to the Trustee and the IRBA describing the nature and extent of such taking. Any net proceeds received from any award made in such eminent domain proceedings shall, if received prior to the termination of this Lease, be paid to and held by the Trustee in a separate condemnation award account of the Bond Fund for application to one or more of the following purposes:

(a) The restoration of the Project as nearly as practicable to the same condition or character thereof existing immediately prior to the exercise of the power of eminent domain with such changes or alterations, however, as the Obligor may deem necessary for proper operation of the Project.

(b) The acquisition, construction and/or installation by the Obligor of other improvements suitable for the Obligor's operations on the Premises (which improvements shall be deemed a part of the Project); provided, that such improvements shall be subject to no liens or encumbrances (other than Permitted Encumbrances) and shall become part of the Project.

(c) Payment into the Bond Fund and used for the redemption of Bonds, in the manner and to the extent permitted by this Lease and the Indenture.

Within ninety days from the date of entry of a final order in any eminent domain proceeding, the Obligor shall direct the Trustee in writing to which purpose or combination of purposes above specified the net proceeds of the condemnation award (together with any investment income therefrom) shall be applied. Any balance of the net proceeds of the condemnation award (together with any investment income therefrom) not required for the purpose or purposes so directed shall be applied by the Trustee pursuant to Section 4.9 hereof.

The Issuer, the Trustee, the IRBA and the Obligor shall cooperate and consult with each other in all matters, including expenses, pertaining to the litigation, arbitration, settlement or adjustment of any and all claims and demands for damages on account of any taking or condemnation of the Project and the settlement or adjustment of any such claim shall be subject to the approval of the Obligor.

Section 7.4 Investment and Disbursement of Insurance and Condemnation Proceeds. All moneys received by the Trustee or its designee constituting net proceeds of insurance or a condemnation award shall, pending application, be invested in Permitted Investments at the written direction of the Obligor (for the account of and at the risk of the Obligor) and shall (together with any investment income therefrom) to the extent to be used for repair, rebuilding, restoration, acquisition or construction, be disbursed for such purpose, as provided in this Lease and the Indenture for the investment and disbursement of moneys in the Project Fund and, to the extent held in the Bond Fund for the redemption of Bonds, as provided in this Lease and the Indenture for the investment and disbursement of moneys in the Bond Fund. Any balance of net proceeds of insurance or of a condemnation award (together with any investment income therefrom) held by the Trustee or its designee upon expiration of the Lease Term, or any net proceeds thereafter received by the Trustee, shall be paid to the IRBA to the extent of any amounts due to the IRBA to the extent of any amounts paid by the IRBA pursuant to the Mortgage Insurance Agreements and any balance shall be paid to the Obligor.

ARTICLE VIII.

SPECIAL AGREEMENTS

Section 8.1 No Warranty of Condition or Suitability by the Issuer. The Issuer makes no warranty, either express or implied, as to the condition of the Project or that it will be suitable for the Obligor's purposes or needs.

Section 8.2 Inspection of the Project. The Obligor agrees that the Issuer, the Trustee and the IRBA and their duly authorized agents who are reasonably acceptable to the Obligor shall have the right (but are under no obligation) at reasonable times during business hours and during the period of construction and/or installation of the Project, subject to the Obligor's usual safety and security requirements for persons on the Project, to enter upon the Project and to examine and inspect the Project without interference or prejudice to the Obligor's operations; provided, however, that any such right of inspection shall be solely (a) in the case of the Issuer, for the purpose of determining the Obligor's compliance with this Lease and (b) in the case of the Trustee, for the purpose of (i) determining the Obligor's compliance with this Lease and (ii) enforcing the rights of the bondholders pursuant to the Trustee's responsibilities under the Indenture and (iii) the IRBA to verify the condition of the collateral. Before exercising any such right of inspection, the Issuer, the Trustee or the IRBA, as the case may he, shall first give notice to the Obligor at least twenty-four (24) hours prior to making the requested inspection of the Project.

From and after default, the Obligor further agrees that the Issuer, the Trustee and the IRBA and their duly authorized agents who are reasonably acceptable to the Obligor shall have such rights of access to the Project as may be reasonably necessary to cause to be completed the acquisition, construction and/or installation of the Project.

Section 8.3 Obligor Not to Adversely Affect Tax Exempt Status of Interest. The Obligor hereby represents that the Obligor has not taken or omitted to take, or permitted to be taken on the Obligor's behalf, and agrees not to take or omit to take, or permit to be taken on the Obligor's behalf, any action which, if taken or omitted, would adversely affect the excludability from the gross income of the bondholders of the interest paid on the Bonds for Federal income tax purposes, and that the Obligor shall take, or require to be taken, such acts as may be required of the Obligor from time to time under applicable law or regulation to continue that exclusion. The representations, warranties, covenants and statements of

expectation of the Obligor set forth in the Tax Regulatory Agreement are by this reference incorporated in this Lease as though fully set forth herein.

Section 8.4 Information as to Employment. The Obligor agrees to provide such periodic reports with respect to employment levels and wage levels at the Project, including subtenants of the Project or portions thereof as may be requested by the Issuer from time to time. In furtherance of the foregoing, the Obligor shall include covenants in any subleases of the Project, or any portion thereof, requiring subtenants to provide such information.

Section 8.5 Financial Information. The Obligor agrees to provide to the Issuer as soon as available and in any event within ninety (90) days after the last day of each fiscal year, an audit report, certified by a firm of independent certified public accountants of recognized standing selected by the Obligor, covering the operations of the Obligor for such year and containing a balance sheet and statements of earnings and changes in financial position for such year, such statements to be on a comparative basis with corresponding statements for the preceding fiscal year.

The Obligor further agrees to provide the Issuer with (i) such additional financial information and at such times as the Obligor is required to give to the IRBA under Sections l(e) and (f) of the Regulatory Agreement and (ii) notice of any amendment to, or modification or waiver of, such Sections of the Regulatory Agreement, all of which amendments, modifications or waivers shall be equally applicable to the Obligor's obligations to provide financial information to the Issuer under the immediately preceding paragraph and clause (i) above.

Section 8.6 Covenant Against Discrimination. The Obligor agrees and warrants that in the performance of this Lease the Obligor will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religion, sex or national origin in any manner prohibited by the laws of the United States of America or the State. To the extent required by Chapter 5.1 of Title 28 of the Rhode Island General Laws (1956), as amended, the Equal Opportunity and Affirmative Action Law, the Obligor shall adopt an affirmative action program designed to eliminate patterns and practices of discrimination. The Obligor shall provide such information concerning the covenants in this Section 8.6 as the Issuer may require from time to time.

Section 8.7 Indemnification. To the extent not prohibited by applicable law and in addition to all other indemnification hereunder and under the Obligor Documents except in the case of willful misconduct, fraud or gross negligence of the Issuer or the IRBA, the Obligor releases the Issuer and the IRBA from, agrees that the Issuer and the IRBA shall not be liable for, and indemnifies the Issuer and the IRBA against, all liabilities, claims, costs and expenses imposed upon or asserted against the Issuer or the IRBA on account of: (a) any loss or damage to property or injury to or death of or loss by any person that may be occasioned by any cause whatsoever pertaining to the construction, maintenance, operation and use of the Project; (b) any breach or default on the part of the Obligor in the performance of any covenant or agreement of the Obligor under the Obligor Documents or any related document, or arising from any act or failure to act by the Obligor, or any of its agents, contractors, servants, employees or licensees; (c) the authorization, issuance and sale of the Bonds, and the provision of any information furnished by the Obligor in connection therewith concerning the Project or the Obligor (including, without limitation, any information furnished by the Obligor for inclusion in any certifications made by the Issuer or for inclusion in, or as a basis for preparation of, the information statements filed by the Issuer or the IRBA); and (d) any claim, action or proceeding with respect to the matters set forth in (a), (b) and (c) above brought thereon.

To the extent not prohibited by applicable law, the Obligor agrees to indemnify the Trustee, the Paying Agent, any Co-Paying Agent and the Bond Registrar for and to hold them harmless against all liabilities, claims, fees, costs and expenses incurred without gross negligence or willful misconduct on their part, on account of any action taken or omitted to be taken on their part in accordance with the terms of this Lease, the Bonds, the Indenture or any related document or any action taken at the request of or with the consent of the Obligor, except when the Trustee is in occupancy of the Project, including the costs and expenses of the Trustee, the Paying Agent, any Co-Paying Agent and the Bond Registrar in defending themselves against any such claim, action or proceeding brought in connection with the exercise or performance of any of their powers or duties under this Lease, the Bonds, the Indenture, or any related document.

In case any action or proceeding is brought against the Issuer, the IRBA, the Trustee, the Paying Agent, any Co-Paying Agent or the Bond Registrar in respect of which indemnity may be sought hereunder, the party seeking indemnity promptly shall give notice of that action or proceeding to the Obligor, and the Obligor upon receipt of that notice shall have the

obligation and the right to assume the defense of the action or proceeding; provided, that failure of a party to give that notice shall not relieve the Obligor from any of the Obligor's obligations under this Section unless that failure prejudices the defense of the action or proceeding by the Obligor. At its own expense, an indemnified party may employ separate counsel and participate in the defense. The Obligor shall not be liable for any settlement made without the Obligor's consent.

The indemnification set forth above is intended to and shall include the indemnification of all affected officials, directors, officers and employees of the Issuer, the IRBA, the Trustee, the Paying Agent, any Co-Paying Agent and the Bond Registrar, respectively, and such indemnification is intended to and shall be enforceable by the Issuer, the IRBA, the Trustee, the Paying Agent, any Co-Paying Agent and the Bond Registrar, respectively, to the full extent permitted by law.

Section 8.8 Obligor to Maintain its Existence; Sale of Assets, Stock or Mergers. The Obligor shall do all things necessary to preserve and keep in full force and effect its existence, rights and franchises, except as otherwise permitted by this Section. In particular, the Obligor shall not (a) sell, transfer or otherwise dispose of all, or substantially all of its assets or stock; (b) consolidate with or merge into any other entity; or (c) permit one or more other entities to consolidate with or merge into it. The preceding restrictions shall not apply, however, to a transaction approved by the IRBA if both of the following conditions are met:

(i) the transferee or the surviving or resulting entity has a net worth, determined in accordance with generally accepted accounting principles consistently applied, equal to or greater than the net worth of the Obligor immediately prior to such consolidation, merger, sale, transfer or disposition; and

(ii) the transferee or the surviving or resulting entity, if other than the Obligor, by proper written instrument satisfactory to the Issuer, the Trustee and the IRBA, irrevocably and unconditionally assumes the obligation to perform and observe the agreements and obligations of the Obligor under the Obligor Documents.

Section 8.9 Confidentiality of Certain Information. Except as required by law, the Issuer hereby agrees to maintain the confidentiality of any information provided by the Obligor with regard to trade secrets or other non-public information, as requested by the Obligor.

Section 8.10 Tax Payments into Tax Escrow Fund. The Obligor is required to make, or cause to be made, payments in lieu of taxes and assessments on the Project (the "Taxes") to the Taxing Authorities as such Taxes, or a portion thereof, shall become due. The Obligor is also required to cause the Project to be valued, to cause the appropriate rate or rates of taxes or assessments to be properly applied to such valuation, to cause the Taxing Authorities to submit statements (the "Tax Statements") specifying the amounts and due date or dates (the "Tax Payment Dates") of the Taxes, or a portion thereof, due the Taxing Authorities, and to file any accounts or tax returns required by the Taxing Authorities. Every year thereafter, the Obligor shall provide the Trustee with a copy of each Tax Statement of the Taxing Authorities within fifteen (15) days of the receipt of such statement.

On June 1 of each year of the term of the Lease (the "Tax Estimation Date"), the Trustee shall estimate (i) the Taxes to be assessed as of December 31 of the year immediately preceding the Tax Estimation Date and (ii) the Tax Payment Dates. The Trustee's estimates as to the Taxes and the Tax Payment Dates shall be based upon information derived by the Trustee from the Tax Statements and other evidence provided by the Obligor pursuant to the foregoing paragraph, subject to the Trustee's right of revision as hereinbelow described. The Trustee shall provide the IRBA with a statement as to each such estimate. The Trustee shall determine the amount of each Tax Payment to be paid by the Obligor to the Trustee under the Lease. The amount of each Tax Payment shall be computed on a pro rata basis counting the number of monthly payments payable by the Obligor under the Lease during the period commencing on each Tax Payment Date and ending fifteen (15) days prior to the next succeeding Tax Payment Date and the Taxes, or a portion thereof, estimated by the Trustee to be due on said next succeeding Tax Payment Date. The Trustee shall credit to the Tax Payments due any investment proceeds of monies in the Tax Escrow Fund, but the Trustee shall not be obligated to apply such credit other than on a quarterly basis. The Trustee shall have the right to revise any such estimate of the Taxes and Tax Payment Dates and the Trustee's calculation of monthly Tax Payments at any time and from time to time if the Trustee is reasonably of the opinion that such estimate or calculation does not provide for payment in full of the Taxes to be assessed by the Taxing Authorities as of March 31 of any year as such Taxes, or a portion thereof, shall become due. The Trustee shall provide the IRBA with a statement as to each such revision.

The Obligor shall pay, or cause to be paid, the Tax Payments on each Obligor Payment Date with respect to interest. The Obligor has the right to seek exemptions and

discounts, if any, from the Taxes and to contest the same as provided in the Lease, however such right shall not reduce the payments required to be made hereunder unless Obligor has received a final favorable judgment with respect to such exemptions and discounts.

ARTICLE IX.

LEASE, SUBLEASE AND RELEASE OF PROJECT

Section 9.1 Lease or Sublease by Obligor. The Obligor may lease or sublease the Project, in whole or in part, with the prior written consent of the Issuer and the IRBA to any person, provided that:

(a) No such lease or sublease shall relieve the Obligor from the Obligor's obligations under the Obligor Documents;

(b) In connection with any such lease or sublease the Obligor shall retain such rights and interests as will permit the Obligor to comply with obligations under the Obligor Documents;

(c) No such lease or sublease shall impair the purposes of the Act to be accomplished by operation of the Project as herein provided;

(d) All such leases or subleases shall be subject to the terms and conditions of this Lease, including those provisions as to maintenance of the Project; and

(e) The Obligor shall, prior to execution of any such lease or sublease, furnish or cause to be furnished to the Trustee a certificate of the proposed lessee or sublessee setting forth the information necessary to satisfy the Trustee that such lease or sublease will not adversely affect the exemption of interest on the Bonds from Federal income taxation.

Section 9.2 Restrictions on Issuer. The Issuer agrees that, except for the assignment and pledge of the Trust Estate to the Trustee pursuant to the Indenture and the IRBA's right of subrogation, it shall not create or suffer to be created any assignment, pledge, charge, lien or encumbrance on the Trust Estate.

Section 9.3 Retention of Title to Project; Grant of Easements, Release of Equipment and Certain Land. The Issuer shall not sell, assign, encumber, convey or otherwise dispose of the Project or any portion thereof during the Lease Term without the prior written consent of the Obligor and the IRBA. At the request of the Obligor and with the approval of the IRBA (which approval will not be unreasonably withheld or delayed), the Issuer shall grant such encumbrances, rights of way or

easements over, across or under, the Project, or grant such permits or licenses in respect to the use thereof, free from the lien of the Indenture, but only if such encumbrances, rights of way, easements, permits or licenses shall not materially adversely affect the operation of or security for the Project. The Issuer agrees to execute and deliver and to cause and direct the Trustee to execute and deliver any and all instruments necessary or appropriate to confirm and grant any such interests and to release the same from the lien of the Indenture.

Notwithstanding any other provision of this Lease, the Obligor may from time to time, with the prior written consent of the IRBA, request in writing to the Issuer the release of and removal from this Lease and the leasehold estate created hereby and the release from the lien of the Indenture of any part of the Project. Upon any such request by the Obligor and upon the receipt of the prior written consent of the IRBA, the Issuer and the Trustee shall execute and deliver any and all agreements or instruments which are, in the opinion of the Issuer or the Trustee, as the case may be, necessary or appropriate to release and remove such part of the Project and convey title thereto to the Obligor or such person as the Obligor may designate.

Notwithstanding the foregoing, no such release of Equipment shall be effected without the prior written consent of the IRBA, the Issuer and the Trustee and the delivery to the Trustee of an opinion of Bond Counsel to the effect that such release will not affect the tax exempt status of the Bonds.

Notwithstanding the foregoing, no such release of any portion of the Premises shall be effected prior to expiration of the Lease Term unless there shall be deposited with the Trustee the following:

(a) A certificate of a qualified engineer (who may be an employee of the Obligor), selected by the Obligor and acceptable to the Issuer and the Trustee (which acceptance shall not be unreasonably withheld or delayed), dated not more than sixty (60) days prior to the date of the release, stating that, in the opinion of the person signing such certificate, the portion of the Premises so proposed to be released is not needed for the operation of the Project and the release so proposed to be made will not impair the usefulness of the Project and will not destroy the means of ingress thereto and egress therefrom; and

(b) In the event the property released is sold by the Obligor, an amount equal to the fair market value of the Premises released to be deposited in the Bond Fund and applied in accordance with Section 4.9 herein.

(c) An opinion of counsel, acceptable to the Issuer and the IRBA, indicating that the portion of the Premises so released, and the portion remaining will comply with all zoning and subdivision laws, ordinances and similar regulations.

No conveyance or release effected under the provisions of this Section shall entitle the Obligor to any abatement or diminution of rental payments hereunder.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.1 Events of Default Defined. Each of the following shall constitute an Event of Default:

(a) failure by the Obligor to pay the payments required to be made under Section 5.3 herein at the time specified therein; or

(b) failure by the Obligor to observe and/or perform any agreement hereunder on the Obligor's part to be observed and/or performed, other than as referred to in subsection (a), (c), (d), (e) or (f) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied is given to the Obligor by the Issuer, the IRBA or the Trustee, unless the Issuer, the IRBA and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Issuer, the IRBA and the Trustee will unreasonably not withhold their consent to an extension of such time if it is possible to correct such failure and corrective action is instituted by the Obligor within the applicable period and diligently pursued until the failure is corrected, provided, however, that the failure by the Obligor to maintain the tax-exempt status of the interest on the Bonds shall not be an Event of Default hereunder provided that a Determination of Taxability has occurred and the Bonds are redeemed pursuant to Section 3.1(b)(1) of the Indenture; or

(c) the Obligor shall (i) admit in writing an inability to pay debts generally as they become due; (ii) have an order for relief entered in any case commenced by or against the Obligor under the Federal bankruptcy laws, as now or hereafter in effect; (iii) commence a proceeding under any other Federal or state bankruptcy, insolvency, reorganization or similar law, or have such a proceeding commenced against the Obligor and such involuntary proceeding is not dismissed or stayed within sixty (60) days of the commencement of such involuntary proceeding; (iv) make an assignment for the benefit of creditors; or (v) have a receiver or trustee appointed for the Obligor or for the whole or any substantial part of the Obligor's property; or

(d) any representation or warranty made by the Obligor herein or any statement in any report, certificate, financial statement or other instrument furnished in connection with this Lease or with the purchase of the Bonds shall at any time prove to have been materially false or misleading in any material respect when made or given; or

(e) an event of default occurs and is continuing under the Indenture; or

(f) written notice from the IRBA to the Issuer and the Trustee that there has been a breach of any covenant contained in the Regulatory Agreement; or

(g) breach of a covenant or obligation under the Mortgage or the Security Agreement and such breach shall have continued beyond any applicable grace period.

The foregoing provisions of subsection (b) of this Section are subject to the following limitations: if by reason of force majeure the Obligor is unable in whole or in part to carry out the agreements on the Obligor's part therein referred to, the failure to perform such agreements due to such inability shall not constitute an Event of Default nor shall it become an Event of Default upon appropriate notification to the Obligor and/or the passage of the stated period of time. The term "force majeure'' as used herein shall mean, without limitation, the following: act of God, strikes, lockouts or other industrial disturbances; act of public enemies; order of any kind of government of the United States of America or of the State or any of their departments, agencies, political subdivisions or officials of any civil or military authority; insurrections; riots; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Obligor. The Obligor agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Obligor from carrying out such agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Obligor, and the Obligor shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Obligor, unfavorable to the Obligor.

Section 10.2 Remedies. Whenever any Event of Default shall have happened and be continuing, the Trustee, on behalf of the Issuer as provided in the Indenture, may take any one or more of the following remedial steps:

(a) If the Mortgage Insurance Agreements are not in effect, (1) upon the occurrence of (i) an event of default under the Indenture and acceleration of payment of the Bonds pursuant to Section 9.2 of the Indenture or (ii) an Event of Default hereunder (other than an Event of Default under Section 10.1(c) hereof), the Trustee shall, in accordance with and subject to the Indenture, declare all payments to be made by the Obligor under Section 5.3 to be immediately due and payable, whereupon the same shall become immediately due and payable; and (2) upon the occurrence of an Event of Default under Section 10.1(c) hereof, all payments to be made by the Obligor under Section 5.3 shall automatically be due and payable, without any act or action on the part of any person. If the Mortgage Insurance Agreements are in effect upon the occurrence of an Event of Default under the Lease the Trustee shall notify the IRBA in writing of such Event of Default as provided in the Mortgage Insurance Agreements. If the Trustee exercises the remedy afforded in this subsection (a) and accelerates all amounts payable under Section 5.3 for the remainder of the Lease Term or such amounts are automatically accelerated, the Obligor shall pay an amount sufficient, together with any moneys held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to enable the Trustee to pay the aggregate principal amount of the outstanding Bonds and all interest on the Bonds then due and to become due to the date of such acceleration. In addition, the Obligor shall pay all fees and expenses of the Issuer, the Trustee, the Bond Registrar and any Paying Agent or Co-Paying Agent, together with any interest thereon, accrued and to accrue through the date of such acceleration.

(b) The Trustee may take whatever action at law or in equity as may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any agreement of the Obligor hereunder subject to the provisions of the Mortgage Insurance Agreements if the Mortgage Insurance Agreements are in effect.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 10.3 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Trustee is intended to be exclusive of any other remedy or remedies, but each and every such remedy, to the extent permitted by applicable law, shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer or the Trustee to exercise any remedy reserved in this Article, it shall not be necessary to give any notice, other than such notice or notices as may be herein expressly required. Such remedies as are reserved to the Issuer in this Article shall also extend to the Trustee, and the Trustee and the bondholders shall be deemed third-party beneficiaries of all agreements herein contained.

Section 10.4 Agreement to Pay Counsel Fees and Expenses. If there should occur a default or an Event of Default hereunder and the Issuer or the Trustee should employ Counsel or incur other expenses for the collection of payments due hereunder or the enforcement of performance or observance of any agreement on the part of the Obligor herein contained, the Obligor agrees to pay on demand of the Issuer or the Trustee the reasonable fees and expenses of such Counsel and such other reasonable fees and expenses so incurred by the Issuer or the Trustee.

If the Obligor should fail to make any payments required in this Section, such item shall continue as an obligation of the Obligor until the same shall have been paid in full, and the Obligor agrees to pay the same with interest thereon from the date such payment was due at the rate per annum equal to the Prime Rate until paid in full.

The provisions of this Section shall survive the termination of this Lease.

Section 10.5 No Additional Waiver Implied by One Waiver. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 10.6 Notice of Event of Default. The Obligor shall notify the Trustee and the IRBA immediately if the Obligor becomes aware of the occurrence of an Event of Default or of any condition or event which, with the giving of notice or passage of time or both, would become an Event of Default.

ARTICLE XI.

PREPAYMENT OF THE RENTAL PAYMENTS

Section 11.1 Options to Prepay Rental Payments. (a) The Obligor shall have, and is hereby granted, the option to prepay in whole or in part the rental payments required to be made by the obligor under Section 5.3 herein and to direct the Trustee to redeem the Bonds in the amounts, at the redemption prices and at the times described in Section 3.1(a)(1) of the Indenture. To exercise the option granted in this Section, the Obligor shall, not less than thirty (30) nor more than forty-five (45) days before the desired prepayment date, give written notice to the Issuer and the Trustee of the Obligor's intention to prepay the rental payments required to be made by the Obligor under Section 5.3 herein on such date and shall specify therein the principal amount of Bonds to be redeemed with the moneys received upon such prepayment. Upon the exercise of such option, the Obligor shall direct the Trustee to redeem Bonds in the principal amount and on the dates specified in the notice referred to in the preceding sentence and shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption of the Bonds. At the times required pursuant to Section 5.3 herein, the Obligor shall pay to the Trustee, as a prepayment of rental payments under Section 5.3 herein, an amount sufficient, together with any moneys held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to enable the Trustee to pay the redemption price of the Bonds to be redeemed pursuant to Section 3.1(a)(1) of the Indenture plus accrued interest thereon to the redemption date. In addition, the Obligor shall pay all fees and expenses of the Trustee, the Issuer, the Bond Registrar and any Paying Agent or Co-Paying Agent, together with any interest thereon, accrued and to accrue through such redemption date.

(b) The Obligor shall have, and is hereby granted, the option to prepay the rental payments required to be made by the Obligor under Section 5.3 herein and to direct the Trustee to redeem the Bonds in whole pursuant to Section 3.1(a)(2) of the Indenture, if any of the following shall have occurred:

(1) the Project shall have been damaged or destroyed to such an extent that, in the judgment of the Obligor, it cannot be reasonably restored within a period of twelve (12) consecutive months to the condition thereof immediately preceding such damage or destruction, and either (i) the Obligor is thereby prevented from carrying on normal operations at the Project for a period of twelve (12) consecutive months

or (ii) it would not be economically feasible for the Obligor to replace, repair, rebuild or restore the same;

(2) title in and to, or the temporary use of, all or substantially all of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person acting under governmental authority (including such taking as, in the judgment of the Obligor, results in the Obligor being thereby prevented from carrying on the Obligor's normal operations at the Project for a period of nine (9) consecutive months);

(3) as a result of any changes in the Constitution of the State or the Constitution of the United States of America or by legislative or administrative action (whether State or Federal) or by final decree, judgment, decision or order of any court or administrative body (whether State or Federal), in the reasonable judgment of the Obligor this Lease shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed herein;

(4) this Lease is terminated prior to the expiration of the Lease Term for any reason other than the occurrence of an Event of Default.

To exercise such option, the Obligor (i) shall, within ninety (90) days following the event giving rise to the Obligor's desire to exercise such option, deliver to the Issuer and to the Trustee a certificate, executed by the Obligor, stating (A) the event giving rise to the exercise of such option, (B) that the Obligor has directed the Trustee to redeem all of the Bonds in accordance with the provisions of the Indenture and (C) the desired prepayment date, which date shall be not less than forty-five (45) nor more than sixty (60) days from the date such notice is mailed; and (ii) shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

At the time required pursuant to Section 5.3 herein, the Obligor shall pay to the Trustee, as a prepayment of rental payments under Section 5.3 herein, an amount sufficient, together with any moneys held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to enable the Trustee to pay the redemption price of the Bonds pursuant to Section 3.1(a)(2) of the Indenture plus accrued interest thereon to the redemption date. In addition,

the Obligor shall pay all fees and expenses of the Trustee, the Issuer, the Bond Registrar and the Paying Agent and any Co-Paying Agent accrued and to accrue to such redemption date.

(c) The Obligor shall have, and is hereby granted the option to prepay the rental payments required to be made by the Obligor under Section 5.3 herein in whole by causing the Bonds to be deemed to be paid pursuant to Section 8.2 of the Indenture by (i) depositing irrevocably with the Trustee either moneys or Government Obligations, or a combination thereof, satisfying the requirements of Section 8.2 of the Indenture, (ii) paying all Trustee's, Issuer's, Bond Registrar's, Paying Agent's and any Co-Paying Agent's fees and expenses due in connection with the payment or redemption of any such Bonds and (iii) if the Bonds are to be redeemed on any date prior to their maturity, directing the Trustee to make arrangements satisfactory to the Trustee for the giving of the required notice of redemption of the Bonds.

Section 11.2. Obligation to Prepay Rental Payments Upon Determination of Taxability. Upon the occurrence of a Determination of Taxability, as soon as practicable, but in no event longer than 120 days following the date of such Determination of Taxability, the Obligor shall be obligated to prepay all rental payments required to be made by the Obligor under Section 5.3 herein and to direct the Trustee to make arrangements for the giving of notice of redemption of the Bonds and to redeem the Bonds in whole within the time provided in Section 3.3 of the Indenture.

The Obligor shall give prompt written notice to the Issuer, the IRBA and the Trustee of its receipt of any oral or written advice from the Internal Revenue Service that an Event of Taxability has occurred. Promptly upon learning of a Determination of Taxability, the Trustee shall cause notice thereof to be given to the bondholders in the same manner as is provided in the Indenture for notices of redemption. In such notice to bondholders, the Trustee may make provisions for obtaining advice from bondholders, in such form as shall be deemed appropriate, respecting relevant assessments made on such bondholders by the Internal Revenue Service.

At the time required pursuant to Section 5.3 herein, the Obligor shall pay to the Trustee, as a prepayment of rental payments under Section 5.3 herein, an amount sufficient, together with any moneys held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to enable the Trustee to pay the redemption price of the Bonds to be redeemed pursuant to Section 3.1(b)(1) of the Indenture.

Upon the redemption date provided for in this Section, provided there has been deposited with the Trustee the total amount as required, such amounts shall constitute the total compensation due the Issuer and the holders of the Bonds as a result of the occurrence of such Determination of Taxability and the Obligor shall not be deemed to be in default hereunder by reason of the occurrence of such Determination of Taxability.

Upon the occurrence of a Determination of Taxability, any option of the Obligor to prepay the rental payments for the Project or to direct the Trustee to redeem the Bonds under any redemption provision of the Indenture shall be superseded by the Obligor's obligation to prepay rental payments for the Project under this Section as set forth herein.

The provisions of this Section shall survive the termination of this Lease.

Section 11.3 Mandatory Prepayment. In accordance with the mandatory redemption requirements set forth in Sections 3.1(b)(1) and (3) of the Indenture, the Obligor shall be obligated to prepay lease payments required to be made under Section 5.3 hereof.

In the event that the Mortgage Insurance Agreements are not executed and delivered by the IRBA on or before February 5, 1993, or, if the commitment of the IRBA to execute and deliver the Mortgage Insurance Agreements is extended, on or before the expiration of the commitment as extended, the Obligor shall be obligated to prepay rental payments required to be made by the Obligor under Section 5.3 herein in accordance with the mandatory redemption requirements set forth in Section 3.1(b)(2) of the Indenture and to direct the Trustee to make arrangements for the giving of any required notice of redemption of the Bonds and to redeem the Bonds within the time provided in Section 3.3 of the Indenture.

At the time required pursuant to Section 5.3 herein, the Obligor shall pay to the Trustee, as a prepayment of rental payments under Section 5.3 herein, an amount sufficient, together with any moneys held by the Trustee in the Bond Fund and available for such purpose under Section 5.3 of the Indenture, to enable the Trustee to pay the redemption price of the Bonds to be redeemed pursuant to Section 3.1(b) of the Indenture.

Section 11.4 Purchase of Project. At any time concurrently with or after payment in full of principal of, and premium (if any) and interest on, the Bonds, whether at maturity or upon redemption or acceleration of the Bonds, and

the payment in full of all amounts owed to the Issuer, the IRBA, the Trustee, the Bond Registrar, the Paying Agent and any Co-Paying Agent hereunder and under the Indenture, the Obligor has the option to purchase the Project from the Issuer at a purchase price of $2,000.

Section 11.5 Conveyance Upon Purchase. At the closing of any purchase of the Project pursuant to Section 11.4 herein, the Issuer or the Trustee on behalf of the Issuer will, upon payment of the purchase price, deliver to or cause to be delivered to the Obligor a bill of sale conveying title to the personal property and fixtures comprising part of the Project, a deed conveying title to the real property comprising the balance of the Project, documents releasing and conveying to the Obligor all of the Issuer's rights and interests in and to any rights of action, or any insurance proceeds or condemnation award, with respect to the Project, a release or satisfaction of the liens of the Indenture and the Mortgage and a termination of the Indenture or other documents conveying to the Obligor the leasehold interest in the Premises, as such property then exists, subject to the following:

(i) any Permitted Encumbrances to which title to said Project was subject when conveyed to the Issuer;

(ii) any liens, easements and encumbrances created at the request of the Obligor or to the creation or suffering of which the Obligor consented in writing;

(iii) any liens and encumbrances resulting from the failure of the Obligor to perform or observe any of the agreements on the Obligor's part contained in this Lease; and

(iv) any liens of the Obligor for taxes or assessments not then delinquent.

Concurrently with the delivery of such title documents, there shall be delivered by the Issuer to the Trustee any instructions or other instruments required by the Indenture to defease and pay the Bonds.

Section 11.6 Relative Position of Options and Indenture. The options to purchase the Project granted to the Obligor in this Article shall be and remain prior and superior to the Indenture and may be exercised whether or not there exists an Event of Default hereunder, provided that the existence of such Event of Default will not result in nonfulfillment of any condition to the exercise of any such option.

ARTICLE XII.

MISCELLANEOUS

Section 12.1 Notices. All notices, approvals, consents, requests and other communications hereunder shall be in writing and shall be deemed to have been given when delivered or mailed by first class registered or certified mail, return receipt requested, postage prepaid, and addressed to the appropriate Notice Address. A duplicate copy of each notice, approval, consent, request or other communication given by the Issuer, the Obligor, the IRBA or the Trustee shall also be given the others. Each such party may, by notice given hereunder, designate any further or different addresses to which subsequent notices, approvals, consents, requests or other communications shall be sent or persons to whose attention the same shall be directed.

Section 12.2 Binding Effect. This Lease shall inure to the benefit of and shall be binding upon the Issuer, the Obligor and their respective successors and assigns provided that this Agreement may not be assigned by the Obligor and may not be assigned by the Issuer except to the Trustee pursuant to the Indenture or as otherwise may be necessary to enforce or secure payment of the Bonds.

Section 12.3 Severability. If any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 12.4 Amounts Remaining in Project Fund, Bond Fund and Rebate Fund. It is agreed by the parties hereto that any amounts remaining in the Project Fund, the Rebate Fund or the Bond Fund upon expiration or sooner termination of this Lease, after payment in full of the Bonds and payment of the fees, charges and expenses of the Trustee, the Issuer, the Bond Registrar, the Paying Agent and any Co-Paying Agent in accordance with the Indenture and payment of all amounts required to be paid to the United States in accordance with the Tax Regulatory Agreement, shall be disposed of in accordance with the terms of the Indenture.

Section 12.5 Grant of Security Interest. For the purpose of confirming the Issuer's interest hereunder, the Obligor hereby grants to the Issuer a security interest in all of the Obligor's interest in the Facilities and Equipment hereto, all additions thereto, substitutions therefor and replacements thereof, and in general all Facilities and Equipment acquired by the Issuer or the Obligor with the proceeds of the Bonds,

and all additions thereto, substitutions therefor and replacements thereof, and any other property which under the terms of this Lease is to become the property of the Issuer or be subjected to the lien of the Indenture including any part thereof acquired, constructed and/or installed by the Obligor as part of the Project, excluding, however, any machinery, equipment or other property installed by the Obligor to which title has been specifically retained pursuant to the terms of this Lease.

Section 12.6 Assignment of Leases and Rents. As additional security for the payment and performance by the Obligor of its obligations hereunder and all other obligations of the Obligor to the Issuer, the Obligor does hereby transfer, assign and deliver unto the Issuer all of the rights, title and interest of the Obligor in and to:

(a) All leases, subleases and tenancies, whether written or oral, now or hereafter existing with respect to any portion or portions of the Project together with any renewals or extensions thereof and all leases, subleases and tenancies in substitution therefor (all of which are hereinafter collectively referred to as the "Assigned Leases");

(b) All rents and other payments of every kind due or payable and to become due or payable to the Obligor by virtue of the Assigned Leases, or otherwise due or payable and to become due or payable to the Obligor as the result of any use, possession or occupancy of any portion or portions of the Project (all of which are hereinafter collectively referred to as the "Rents");

(c) All right, title and interest of the Obligor in and to all guarantees of the Assigned Leases, if any.

TO HAVE AND TO HOLD the Assigned Leases and the rents, together with all the rights, privileges and appurtenances now or hereafter in any wise belonging or pertaining thereto, unto the Issuer, its successors and assigns, forever, subject, however, to the terms and conditions as hereinafter provided.

Subject to the final paragraph of this Section 12.6, the Obligor does hereby authorize and empower the Issuer to collect said rents and other payments as the same shall become due, and does hereby irrevocably direct each and all of the lessees, sublessees, tenants or other occupants of the Project to pay to the Issuer, upon demand by the Issuer, such rents and other payments as may now be due or payable;

(a) No such demand shall be made by the Issuer unless and until there shall have been an Event of Default hereunder with respect to the failure of the Obligor to pay any installment of rent or an Event of Default with respect to the performance or observance by the Obligor of any other term or condition, and that, until such demand is made, the Obligor shall be authorized to collect or continue to collect said rents and other payments.

(b) The Obligor's right to collect or to continue to collect such rents and other payments as aforesaid, shall not authorize collection by the Obligor of any installment of rent (exclusive of security deposits) more than one (1) month in advance of the respective date prescribed in the Assigned Leases for the payment thereof without the written consent of the Issuer; and

(c) No lessee, sublessee, tenants or other occupant of the Project making any payment to Issuer pursuant to this Section shall be under any obligation to inquire into or determine the actual existence of any Event of Default claimed by the Issuer.

(d) The Obligor does hereby constitute and appoint the Issuer, while this assignment remains in full force and effect, irrevocably, and with full power of substitution and revocation, its true and lawful attorney, for it and in its name, place and stead, to take such action as may be necessary or advisable as to insure that the construction of the Project takes place in accordance with this Lease, and to enter and take possession without the commencement of any action to foreclose hereunder or to exercise any rights or powers it may have hereunder and to do, execute and perform any act, deed, matter or thing whatsoever that ought to be done, executed and performed in and about or with respect to the Project as fully as the Obligor might do; provided, however, that this assignment shall in no respect operate to place upon the Issuer any responsibility or obligation to take any action whatsoever with respect to the operation, control, care, management or repair of the Project and that any action taken or failure or refusal to act by the Issuer shall be at the Issuer's election and without any liability on its part, and provided further that the Issuer shall not exercise any of the above rights or powers until there shall have been an Event of Default in payment or performance of any of the terms hereof.

Section 12.7 Recording. This Lease and every assignment, supplement and modification hereof or any appropriate and sufficient memorandum thereof shall be recorded in the office of the Recorder of Deeds of the Town of Woonsocket, Rhode Island, or in any other such office as may be at the time provided by law as the proper place for the recordation of this Lease. This Lease as originally executed or an appropriate and sufficient memorandum thereof shall be so recorded prior to the recordation of the Indenture. The security interest of the Issuer created herein or any supplement thereto and the assignment of such security interest to the Trustee shall be perfected by the filing of financing statements which fully comply with the U.C.C. in the office of the Secretary of the State of Rhode Island, in the City of Providence, Rhode Island, and in the office of the Recorder of Deeds of the Town of Woonsocket, Rhode Island. The parties hereto further agree that all necessary continuation statements shall be filed by the Trustee within the time prescribed by the U.C.C. to continue the security interest created by this Lease, so the rights of the Trustee in the Project and the assignment to the Trustee of the amounts payable under this Lease shall be fully preserved as against creditors or purchasers for value from the Issuer or the Obligor.

Section 12.8 Delegation of Duties by Issuer. It is agreed that under the terms of this Lease the Issuer has delegated certain of its duties hereunder to the Obligor and that under the terms of the Indenture the Issuer has delegated certain of its duties thereunder to the Trustee. The fact of such delegation shall be deemed a sufficient compliance by the Issuer to satisfy the duties so delegated and the Issuer shall not be liable in any way by reason of acts done or omitted by the Obligor, the Authorized Obligor Representative or the Trustee. The Issuer shall have the right at all times to act in reliance upon the authorization, representation or certification of the Authorized Obligor Representative or the Trustee.

Section 12.9 Extent of Covenants of the Issuer; No Personal Liability. All covenants, obligations and agreements of the Issuer contained in this Lease or the Indenture shall be effective to the extent authorized and permitted by applicable law. No such covenant, obligation or agreement shall be deemed to be a covenant, obligation or agreement of any present or future director, officer, agent or employee of the Issuer in

other than his or her official capacity, and neither the directors of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof or by reason of the covenants, obligations or agreements of the Issuer contained in this Lease or in the Indenture.

Section 12.10 Amendments, Changes and Modifications. This Lease may not be effectively amended or terminated except as provided in the Indenture.

Section 12.11 Counterparts. This Lease may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

Section 12.12 Captions. The captions and headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions hereof.

Section 12.13 Law Governing Construction of Lease. This Lease shall be governed by, and construed in accordance with, the laws of the State.

Section 12.14 Indenture Governs. Except as set forth in Section 11.6 hereof, in any conflict between this Lease or any other documents executed in connection with the issuance of the Bonds and the Indenture, the Indenture shall govern.

IN WITNESS WHEREOF, the Issuer has caused this Lease to be executed in its name by an authorized officer and its corporate seal to be affixed hereto and attested by an authorized officer, and the Obligor has cause this Lease to be executed in its name by an authorized officer and its corporate seal to be affixed hereto and attested by an authorized officer, all as of the date first above written.

(Corporate Seal) RHODE ISLAND INDUSTRIAL FACILITIES CORPORATION

Attest: /s/ Robert E. Donovan
Robert E. Donovan
Secretary

By: /s/ Earl F. Queenan, Jr.
Earl F. Queenan, Jr.
Treasurer

STERICYCLE, INC.

By: /s/ Vernon J. Nagel

Vernon J. Nagel
Chief Financial Officer
and Vice President

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that before me personally appeared Earl F. Queenan, Jr., whose name as Treasurer of the Rhode Island Industrial Facilities Corporation is signed to the foregoing Lease, and who is known to me and known by me to be such officer, acknowledged before me on this day under oath, that, being informed of the contents of said Lease he, with full authority, executed the same as his free act and deed and as the free act and deed of said Rhode Island Industrial Facilities Corporation.

Given under my hand and seal of office this 29th day of June, 1992.

/s/ Carol I. O'Reilly
Notary Public
CAROL I. O'REILLY Notary Public
State of Rhode Island [Illegible]
My Commission Expires January 1, 1994

STATE OF RHODE ISLAND
COUNTY OF PROVIDENCE

I, the undersigned, a Notary Public in and for said State and County, do hereby certify that before me personally appeared Vernon J. Nagel, whose name as Chief Financial Officer and Vice President of Stericycle, Inc. is signed to the foregoing Lease, and who is known to me and known by me to be such officer, acknowledged before me on this day under oath, that, being informed of the contents of said Lease he, with full authority, executed the same as his free act and deed and as the free act and deed of Stericycle, Inc.

Given under my hand and seal of office this 29th day of June, 1992.

/s/ Carol I. O'Reilly
Notary Public
CAROL I. O'REILLY Notary Public
State of Rhode Island [Illegible]
My Commission Expires January 1, 1994

EXHIBIT A

A certain lot or parcel of land with all the buildings and improvements thereon situated on the* southerly side at Roadway A In the City of Woonsocket, County of Providence, state of Rhode Island and shown as Lot 204 on that plan recorded or to be recorded entitled, "Resubdivision of Woonsocket Industrial Park - East prepared for Woonsocket, Industrial Development Corporation Woonsocket, Rhode Island, April, 1983 Scale: 1 inch Equals 80 Feet by Robert C. Cournoyer & Associates, Inc." more particularly bounded and described as follows:

Beginning at a point on said southerly line of Roadway A said point being one hundred forty one and fifty nine one hundredths (141.59) feet on the bearing of N 41 DEG. 24' 57" E from a point of curvature at the intersection of the easterly line of CVS Drive and the southerly line of Roadway A and being the most northeasterly corner of Lot 6a as shown on the above, mentioned plan and being the most southwesterly corner of the parcel hereby described;

thence: N 41 DEG. - 24' - 57" E, along said southerly line of Roadway A one hundred four and twenty one one hundredths (104.21) feet to a point of curvature

thence: Northeasterly along a curved line to the left having a radius of one thousand two hundred twenty five (1225.00) feet, two hundred twenty seven and nine one hundredths (227.09). feet to the southwesterly corner of Lot l9b as shown on the above mentioned plan. The last two (2) lines bounding on said southerly line of Roadway A;

thence: S 48 DEG. 35' - 03" E, along said westerly line of Parcel 19b two hundred ninety five and ninety nine one hundredths (295.91) feet to the northerly line of Lot 21a as shown on the above mentioned plan

thence: S 41 DEG. - 24' - 57" W, along said northerly line of Lot 21a two hundred forty nine and eight one hundredths (249.05) feet

thence: S 69 DEG. - 46' - 00" W, fifty eight and six tenths (58.60) feet to the easterly line of Lot 6a as shown on the above mentioned plan. The last two (2) lines bounding on the northerly line off Lot 21a;

thence: S 41 DEG. - 24' - 57" W, twenty nine and thirty four one hundredths (29.34) feet

thence: N 48 DEG. - 35' - 03" W, two hundred forty seven and seventeen one hundredths (247.17) feet to the point of beginning. The last two (2) lines bounding on said easterly line of Lot 6a.

SUBJECT TO any and all covenants, conditions, restrictions, easements, rights of way terms and rights of record.

EXHIBIT B

STERICYCLE, INC.

WOONSOCKET, RHODE ISLAND

PROPOSED EQUIPMENT LISTING

MACHINERY AND EQUIPMENT - CLASS LIFE: 10 YEARS

Description	Quantity
R.F. Unit	1
Size Reduction System	2
Air Transport System	2
Screw Conveyors	2
Cooling Towers	2
Hydraulic Power Unit/Cyl.	1
Lift Tables	2
Hydraulic Pusher	1
Wash Station	1
Lot Scales	1
Lot Conveying System	1
Baler	1
Lot Chutes and Collectors	1
Hydraulic Presses	2
Incline Conveyors	2
Air Compressor (cart)	1
Radiation Detector	4
Press Room Compressors	2
Cooler	1
Lot Door Seals	1
Lot Blade Assemblies	1

500 gallon storage tank	1
Magna Helix	1
Staging Tables	4
Washer/Dryer	1
Exhaust Fans	6
Lot Make Up Air Unit	1
Fire Suppression Systems	2
Lot Rubber ISO Prebreaker	1
Lot Hydraulic Pipins	1
Hydraulic Cylinder Pum & Valve	1
Wash Stat Pump	1
Miscellaneous Electrical	1
Thermocouples	1
High Press Washer	1
Disk Grinder	1
Radiation Probe	1
Welder	1
Tach. & Dial Indicator	1
Hammer Drill	1
Grease Gun	1
Mechanics Tools (Misc.)	1
Safety Clothing/Gloves/Suites	1
Disinfectant	1
Detergent	1
First Aid Kit	1
Safety Belt System	1
Respirator Hoses	1

Size Reduction System

Material Transport (Air)

Chutes/Collectors

Air Filtration

Scale

Horizontal Wrapper

Screw Conveyor

Miscellaneous

SUBTOTAL MACHINERY AND EQUIPMENT

OFFICE EQUIPMENT - CLASS LIFE; 10 YEARS

Description	Quantity
- ----------	--------
Phone System	1
Furniture	1
Supplies	1
Microwave & Refrigerator	1
Other Office Equipment	1

SUBTOTAL OFFICE EQUIPMENT

TOTAL

STERICYCLE, INC.

WOONSOCKET RHODE ISLAND

CONSTRUCTION BUDGET

CLASS LIFE; 45 YEARS

Description

SITEWORK:

Preparation/Demo

Utilities

Improvements

SUBTOTAL SITEWORK

BUILDING IMPROVEMENT:

Framework

Exterior Wall

Footing & Foundations

Walls

Doors

Windows

Roof Coverings

Offices Finishes

Plumbing

Fire Protection

Heating

Electrical Service & Dist.

Specialties

General Condition

O&P

SUBTOTAL BUILDING IMPROVEMENT

Architecture & Engineering:
- ---------------------------

Architecture & Engineering

SUBTOTAL ARCHITECTURE & ENGINEERING

TOTAL

-JOURNAL- DATE JUN-24-1992 TIME 13:50

DATE/TIME - JUN-24 13:47

JOURNAL NO. - 28

COMM.RESULT - OK

PAGES - 06

DURATION - 00:03'10

MODE - XMT

STATION NAME -

TELEPHONE NO. - T 14012766611

RECEIVED ID - 4012766611

RESOLUTION - STANDARD

-STERICYCLE (CORP)

- 1 708 945 653-

EXHIBIT "C"

REQUISITION NO.

$2,030,000

Rhode Island Industrial Facilities Corporation
Industrial Development Revenue Bonds
(Industrial-Recreational Building Authority Program -
Stericycle, Inc.-Project - 1992 Series)

To: Fleet National Bank, as

Trustee under Trust Indenture dated as of June 1, 1992.

This Requisition is made pursuant to Section 6.3 of the above Trust Indenture and Section 4.3 of the Lease, as defined in the Trust Indenture.

The Trustee is directed to pay sums out of the Project Fund as follows:

Payee	Purpose of Payment	Amount

I hereby certify on behalf of STERICYCLE, INC. (the 'Obligor") that (capitalized terms are as defined in the Lease and the Tax Regulatory Agreement):

(i) each obligation mentioned herein (a) has been properly incurred, (b) is a proper charge against the Project Fund, (c) is currently due and payable, (d) has not been previously paid or reimbursed (as applicable) and (e) has not been the basis of any previous withdrawal;

(ii) this Requisition and the use of proceeds set forth herein are consistent in all material respects with the Tax Regulatory Agreement;

(iii) 95% or more of the amount requisitioned is to be applied to costs (a) paid or incurred after the adoption of the Issuer's Inducement Resolution for the Project, (b) for the acquisition, construction or reconstruction of land or property of a character subject to the allowance for depreciation provided in Section 167 of the Code and (c) which are chargeable to the capital account of the Project or would be so chargeable either with an election by the Obligor or but for the election of the Obligor to deduct the amount of the item;

(iv) this Requisition and the use of proceeds set forth herein will not cause more than 2% of the proceeds of the Bonds to be applied to costs of issuance of the Bonds; and

(v) this Requisition shall be conclusive evidence of the facts and statements set forth herein and shall constitute full warrant, protection and authority to the Trustee for its actions taken pursuant hereto.

Reviewed and Approved:	STERICYCLE, INC.
By	By
----------	----------
Project Supervisor	Authorized Obligor Representative

Approved:

RHODE ISLAND INDUSTRIAL-RECREATIONAL
BUILDING AUTHORITY

By

Manager

Acknowledged:

RHODE ISLAND INDUSTRIAL
FACILITIES CORPORATION

By

Authorized Issuer
Representative

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

CONSENT AGREEMENT

BETWEEN

RHODE ISLAND DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

AND

STERICYCLE, INC.

PREAMBLE

This Consent Agreement is entered by and between the Rhode Island Department of Environmental Management ("the Department") and Stericycle, Inc. ("Stericycle" or "the Company"), a Delaware corporation with its corporate offices located in Deerfield, Illinois. This Agreement is entered into in accordance with Chapters 23 18.9, 23-19.12 and 42-17.1 of the Rhode Island General Laws ("R.I.G.L.").

WHEREAS, on 29 September 1994 and 3 April 1995, the Rhode Island Department of Environmental Management ("Department") issued a Notice of Violation and Order and Penalty ("NOVAP") to Stericycle.

WHEREAS, the NOVAP alleged violations of R.I. Gen. Laws Section 23-18.9, as amended (the "Solid Waste Act"), governing Refuse Disposal and the Rules and Regulations adopted thereunder (the "Solid Waste Regulations") and Section 23-19.12, as amended, the ("Medical Waste Act"), governing Generation, Transportation, Storage, Treatment, Management and Disposal of Regulated Medical Waste and the Rules and Regulations (the "Medical Waste Regulations") adopted thereunder.

WHEREAS, the Department alleges in the NOVAP that violations of the above-cited statutes and regulations occurred on diverse dates between October 19, 1992 and September 6, 1994.

WHEREAS, the Company and the Department desire to limit the administrative process and avoid the need for and expense of an administrative hearing and protracted litigation arising out of the allegations.

In lieu of convening an Administrative Hearing regarding the alleged violations, and in order to effect a resolution of all disputed issues in this matter, the Department and the Company (the "parties") agree as follows:

AGREEMENT

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, RONALD GAGNON, CHIEF OF THE DIVISION OF WASTE MANAGEMENT FOR THE DEPARTMENT and MARK MILLER, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE COMPANY do hereby acknowledge and agree to the following:

1) The Company is subject to the provisions of the Rhode Island General Laws, specifically chapters 42-17.1, 23-18.9 and 23-19.12 and the applicable regulations of the Department promulgated thereunder.

2) The Department has jurisdiction over the subject matter of this Agreement and has personal jurisdiction over the Company pursuant to the Medical Waste Act and the Medical Waste Regulations.

3) The provisions of this Agreement shall apply to and be binding upon the Company and the Department and their respective agents, servants, employees, successors and assigns.

4) This Agreement shall have the full force and effect of a final administrative adjudication and shall be fully enforceable in Superior Court under the provisions of Title 42-Chapter 35 of the General Laws of the State of Rhode Island.

5) The Company agrees to comply with any newly promulgated regulations. In the event of inconsistency between a provision of this Agreement and a regulation, the parties agree that the regulation shall govern and replace the inconsistent portion of this Agreement. The remainder of this Agreement shall remain unaffected.

6) (a) Stericycle agrees to pay and the Department agrees to accept the amount of four hundred thousand dollars ($400,000.00) which shall be paid to the Air and Water Protection Fund established by R.I. Gen. Laws Section 42-17.1-2 according to the following schedule.

August 31, 1995	$35,000.00
December 31, 1996	$35,000.00
December 31, 1997	$35,000.00
December 31, 1998	$35,000.00
December 31, 1999	$50,000.00
December 31, 2000	$60,000.00
December 31, 2001	$150,000.00

In the event Stericycle fails to comply with any of the terms of this Agreement or violates any provisions of the above-cited statute of rules or regulations, Stericycle agrees that the remaining amount set forth above shall become immediately due and owing unless excused by paragraph 7 of this Agreement.

(b) In addition to the four hundred thousand dollar ($400,000.00) monetary amount agreed to by the parties and set forth in paragraph (a) above, the Company agrees to complete the following supplemental environmental projects ("SEPs"). Stericycle shall submit monthly reports to the Department which monitor the SEPs and provide documentation at the completion of the SEPs. SEPs shall commence within ninety (90) days of execution of this document unless otherwise specified.

(1) Educational Program
Stericycle shall conduct four educational programs during a four (4) year period, one (1) seminar per year beginning in 1996. The seminar shall consist of two categories: an Environmental Health and Safety Regulatory Update and Bloodborn Pathogens. Enrollment in such program shall be limited to no less than 150 participants per session which shall not include Stericycle employees, agents, etc. The seminars shall be conducted at facilities throughout Rhode Island and shall not be conducted at the Stericycle facility in Woonsocket, Rhode Island. In the event that the four seminars do not yield a total of six hundred (600) participants, Stericycle agrees to conduct additional seminars within the four year period to reach the six hundred (600) participant requirement.

(2) Public Service Medical Waste Management Program
Stericycle shall implement a Public Service Medical Waste Management Program which shall provide for the collection and treatment of medical waste generated by twenty (20) Rhode Island public service agencies such as police, fire, emergency and ambulance services. Stericycle shall provide a total of not less than one thousand and two hundred (1200) containers, two per agency, to these twenty (20) agencies throughout the State of Rhode Island and shall collect and treat the same over a five (5) year period. Stericycle shall provide for this regulated medical waste to be picked up six (6) times per year. This program shall not be used as an incentive for future contractual obligations with the participant.

(3) Residential Sharps Management Program
Stericycle shall implement over a five (5) year period a Residential Sharps Management Program. Stericycle shall implement a program to provide for collection and treatment of sharps from twenty (20) selected pharmacies throughout the State of Rhode Island. Stericycle shall provide for not less than one thousand two hundred (1,200) containers, two per agency, to these twenty (20) pharmacies and shall provide for this regulated medical waste to be collected and treated six (6) times per year during the five (5) year period. This program shall not be used as an incentive for future contractual obligations with the participant.

Correspondence, notice, advertisement or other related materials sent forth related to these SEPs must disclose that the project was implemented in connection with the settlement of an environmental enforcement action.

(c) Stericycle shall submit an amendment to its operating plan for Department review within ninety (90) days of execution of this Agreement and must implement the approved amended procedures within fifteen (15) days of Department approval of the same. The amendments to the operating plan must include:

(1) Spore strip testing shall be increased to occur at a minimum of once per week and analysis of spore strips must be performed by an independent consultant and laboratory. The results of such analysis shall be submitted directly to the Department from the independent laboratory simultaneously with the reporting of the same to Stericycle. In the event that spore strip analysis yields a positive result, a protocol with a number of negative sample results shall be required to negate the positive test results. Those tests will be conducted with copies of the results forwarded directly to the Department simultaneously with the reporting of the same to Stericycle.

(2) Stericycle shall submit to the Department a contingency plan that includes a maximum quantity and time period of storage of regulated medical waste storage at the Woonsocket facility when treatment and/or destruction processes fail or do not perform in the manner specified in the approved operating plan. Stericycle shall refuse all shipments which will increase the volume of regulated medical waste to exceed the final approved limit provided for in the contingency plan.

(3) Stericycle shall orally notify the Department within twenty-four (24) hours of all incidents, medical waste spills, fires, acceptance of radioactive waste or hazardous waste. A complete written report shall be submitted to the Department within seven (7) days of the incident detailing the incident in question as well as Stericycle's response to the incident.

(4) In the event of a temporary failure of the process as set forth in the approved operating plan, Stericycle shall insure that all regulated medical waste is shipped within fourteen (14) days to a Department approved alternative treatment and destruction facility pursuant to the contingency plan described in paragraph 2 above.

(5) Stericycle shall notify the Department immediately of all loads of waste returned to the Stericycle Woonsocket facility from SEAMASS or other facility. Stericycle agrees to subject said returned loads to Department inspection.

(6) Stericycle shall submit a plan for Department approval for the random testing of the contact surface of Steritubs which assures that the public is not exposed to contaminated tubs. The plan shall be implemented within six (6) months of the execution of this agreement.

(7) Stericycle shall submit to the Department a list of all processing vessels. The number of vessels in use shall reflect Stericycle's operating capacity, based on hours of operation and average weight of a processing vessel. Documentation shall be provided to the Department that indicates the number of processing vessels in use by the facility, the number assigned to the processing vessel, the date the processing vessel was put into services and the date that the processing vessel was taken out of service. This list shall be kept current and the Department shall be notified of any modifications to said list within forty-eight (48) hours of the modification. Stericycle shall insure that no two (2) processing vessels have the same number.

(8) Stericycle agrees to implement a revised training program for all of its employees. Prior to implementation of this program, Department approval is required. This program will guarantee that all employees are trained prior to performing any job at ft Stericycle facility in Woonsocket, Rhode Island. Stericycle shall maintain certificates of completion of training for all employees and shall submit copies of the same to the Department within ten (10) days of each employees completion of the training. Stericycle agrees to provide to the Department the name, title, business address, educational background and other relevant experience of each training instructor prior to that individual conducting any training program. Stericycle shall implement this revised training program within sixty (60) days of execution of this Agreement.

(9) Stericycle shall construct a fence at least six (6) feet in height or other Department approved comparable control to prohibit access to areas where regulated medical waste is stored.

(10) Stericycle shall submit an approved plan for implementation of a system for the automatic monitoring and recording of temperatures of waste subsequent to exit from the RF oven. Stericycle shall submit a plan within ninety (90) days that sets forth this system. Testing and verification of this system must occur within nine (9) months of execution of this agreement and shall be fully implemented within twelve (12) months of execution of this agreement.

(11) Stericycle shall install video monitoring equipment at its Woonsocket facility. Such installation shall be completed and the process of monitoring employees' performance shall commence within ninety (90) days of execution of this Agreement.

(12) Stericycle shall insure that all regulated medical waste is destroyed to a size of no greater than four (4) inches except for preapproved Department exceptions. In the event that the four (4) inch minimum is not accomplished Stericycle shall either accomplish the four (4) inch minimum or comply with the Medical Waste Regulations and handle this regulated medical waste as such.

(d) Nothing in this provision shall be construed as limiting the right of the Department to assess other administrative penalties for any additional violations of law or regulation or this Agreement.

7) With respect to Stericycle's compliance with any interim or final deadline set forth in this Consent Agreement, no penalties will be sought by the Department for delay caused by circumstances beyond Stericycle's control, such as by act of God, war or other force majeure. Force majeure shall include any event arising from causes beyond the control of Stericycle, including, but not limited to: Acts of God; fire; war; insurrection; civil disturbance; explosion; riot; catastrophe; governmental actions; adverse weather conditions that could not be reasonable anticipated and causing unusual delay in transportation and/or field activities or restraint by court order or order of public authority. Financial inability to perform any obligation under this Agreement shall not be considered a cause of delay that is beyond the reasonable control of Stericycle. Stericycle, shall use due diligence to anticipate and minimize or avoid delay or circumstances which might result in the delay or prevention of performance of its obligations under this Agreement. Stericycle's inability to perform due to economic circumstances shall not

constitute an acceptable reason for failure to perform. Stericycle shall promptly notify the Department orally and shall, within five (5) business days of oral notification to the Department, notify the Department in writing of the anticipated length and cause of any delay and the timetable by which Stericycle intends to implement these measures. Upon receipt of such notification, the Department shall determine whether the delay is appropriately excused under this paragraph and shall so notify Stericycle. Stericycle agrees to use its best efforts to minimize any delay regardless of cause, and acknowledges that it will have the burden of justifying excuses for delay in performance under this paragraph.

8) In addition to the requirements set forth in paragraph 6(a) of this Agreement, in the event Stericycle fails to comply with any provision of this Consent Agreement, Stericycle, shall pay to the Department the stipulated penalties in the amount of five hundred dollars ($500.00) per day, unless excused by the provisions of paragraph 7 of this Agreement. The payment of liquidated damages in accordance with this paragraph shall not preclude the Department from seeking any other appropriate remedy.

9) Compliance with Agreement shall satisfy the requirements set forth in the NOVAPs.

10) If any part or provision of this Agreement, or application thereof to any persons entity, or circumstances be adjudged invalid by any court of competent jurisdiction, the judgment shall be confined in its operation to the party of or provision of or application directly involved in the controversy in which the judgment shall have been rendered and shall not affect or impair the validity of the remainder of this Agreement or the application thereof to other persons, entities, or circumstances.

11) This Agreement may be modified only through a writing signed by all of the parties.

12) The within Agreement contains the entire agreement between the parties.

13) The parties hereunto stipulate and agree that the agreements contained herein are entered into voluntarily and that none of the parties have been coerced to enter into this Agreement through fraud, duress, misrepresentation, mistake, undue influence, or any other means that may affect the voluntariness of the mutual assent upon which this Agreement is based.

14) The terms of this Agreement apply only to the cases described above and shall not be used as precedent in any other matter with DEM and any other party.

15) Stericycle agrees to waive any rights to sue or initiate any type of action against the State of Rhode Island, the Department or any of their agents regarding the issuance and the effect thereof of the NOVAP including but not limited to the terms of the NOVAP, the April 4, 1995 press release or any interpretation thereof, the interpretation of the Solid Waste Act, Solid Waste Regulations, Medical Waste Act or Medical Waste Regulations or any other statements made by the Department or its representatives involving Stericycle from the time period of September 29, 1994 to the present. Stericycle does hereby agree to accept this executed document in full settlement and satisfaction of, and as sole consideration for the final release and discharge of, all actions, claims and demands whatsoever, that now exist, or may hereafter accrue, against the State of Rhode Island.

16) The Department agrees not to initiate an enforcement action against Stericycle for violations of the Medical Waste Regulations known to the Department prior to Stericycle's execution of this Agreement that were not cited by the Department in either SW94-8 or SW95-5 and that are the same type of violations cited in the above-referenced cases but that occurred during time periods subsequent to those cited in the NOVAPs.

17) Stericycle agrees not to use any of the terms or conditions or the execution of this document in a defense that they may assert against the Department in any action that the Department may take against Stericycle in future enforcement actions, nor as a basis or in support of any action that Stericycle takes against the Department.

18) Stericycle, agrees not to interfere with, obstruct or hinder any inspection or study that the Department wishes to conduct or to take or of any or all of the processes employed by Stericycle at its Woonsocket, Rhode Island facility.

19) The obligations and responsibilities regarding any of the terms or conditions of this Agreement shall remain effective and not terminate or in any way be affected upon the issuance or denial of the license renewal application that has been submitted to the Department by Stericycle, unless otherwise specified. In the event that the medical waste treatment license for which Stericycle has submitted an application for approval is denied, then the terms of paragraphs 6(c)(1), 6(c)(4), 6(c)(7), 6(c)(10) and 6(c)(12) shall not apply.

20) This document does not constitute an admission of any facts or of liability.

21) This Agreement shall not compromise, diminish or in any other way affect the rights of the Department with respect to any other subsequent action that the Department may choose to take against any person on information that was not the basis of the NOVAP against Stericycle.

22) Full execution of this document resolves the actions set forth in Notices of Violation and Orders and Penalties SW94-8 and SW95-5 against Stericycle by the Department.

23) The mutual agreements contained within this document shall constitute sufficient consideration to support this Agreement.

24) The Rhode Island Superior Court shall have sole jurisdiction to interpret and enforce the terms of this Agreement and any dispute regarding the same shall be brought before this Court.

25) Nothing contained herein releases Stericycle from its obligations to comply with State and Federal law and regulation.

This Agreement shall be deemed effective on the date that all parties have executed this document.

IN WITNESS WHEREOF, I have hereunto set my hand this 22nd day of August, 1995

/s/ Ronald Gagnon

RONALD GAGNON, Chief

Subscribed and sworn to before me this 22nd day of August, 1995

/s/ Susan W. Cabecerias

NOTARY PUBLIC
My commission expires: 8/1/97

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of August, 1995.

/s/ Mark Miller

MARK MILLER, President
(the above individual certifies that he/she has the authority to bind the corporation to the terms of this agreement)

Subscribed and sworn to before me this 18th day of August, 1995

/s/ Rhonda D. Toth

NOTARY PUBLIC
My commission expires: 12/7/95

[SEAL]

Exhibit 21.1

SUBSIDIARIES OF THE REGISTRANT

Stericycle of Arkansas, Inc., an Arkansas corporation

Stericycle of Washington, Inc., a Washington corporation

SWD Acquisition Corp., a Delaware corporation

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated March 20, 1996, except for the first paragraph of Note 7, as to which the date is in the Registration Statement (Form S-1 No. 333-) for the registration of 3,450,000 shares of common stock.

Chicago, Illinois
June 11, 1996

The foregoing consent is in the form that will be signed upon the completion of the reverse stock split, the approval of the decrease in authorized common shares, and the redesignation of the Class A and Class B common shares as a like number of common shares effective upon the closing of an initial public offering as described in the first paragraph of Note 7 to the financial statements.

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AND CONSOLIDATION STATEMENTS OF OPERATION FOUND ON PAGES F-3, F4, F-16 AND F-17 ON THIS REGISTRATION STATEMENT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	3-MOS	
DEC-31-1995	DEC-31-1996	
DEC-31-1995	MAR-31-1996	
138	120	
0	0	
3731	3995	
138	146	
0	0	
5192	5162	
10228	10395	
3587	3961	
23491	23876	
4753	5123	
1633	1602	
0	0	
0	0	
55	56	
12519	12172	
23491	23876	
21339	21339	5578
21339	5578	
17478	4337	
17478	4337	
8405	1588	
0	0	
277	83	
(4544)	(347)	
0	0	
(4544)	(347)	
0	0	
0	0	
0	0	
(4544)	(347)	
(.70)	(.05)	
(.70)	(.05)	