

STERICYCLE INC
Form 10-Q
August 07, 2008

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

FORM 10-Q

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

For the quarterly period ended June 30, 2008 or

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

For the transition period from _____ to _____

Commission File Number 0-21229

Stericycle, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

36-3640402

(IRS Employer Identification Number)

28161 North Keith Drive

Lake Forest, Illinois 60045

(Address of principal executive offices including zip code)

(847) 367-5910

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one)

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Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES ☐
NO ☒

As of August 4, 2008 there were 85,405,884 shares of the Registrant's Common Stock outstanding.

Stericycle, Inc.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****STERICYCLE, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****In thousands, except share and per share data**

	June 30, 2008 (Unaudited)	December 31, 2007 (Audited)
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,395	\$ 17,108
Short-term investments	1,128	1,256
Accounts receivable, less allowance for doubtful		
accounts of \$6,844 in 2008 and \$6,157 in 2007	173,267	157,435
Deferred income taxes	11,765	13,510
Other current assets	22,106	20,967
Total Current Assets	220,661	210,276
Property, Plant and Equipment, net	202,773	193,039
Other Assets:		
Goodwill	1,093,499	1,033,333
Intangible assets, less accumulated amortization of		
\$12,989 in 2008 and \$12,230 in 2007	155,695	152,689
Other	19,272	18,822
Total Other Assets	1,268,466	1,204,844
Total Assets	\$ 1,691,900	\$ 1,608,159
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 29,118	\$ 22,003
Accounts payable	33,349	40,049
Accrued liabilities	90,661	75,571
Deferred revenues	15,104	12,095

Total Current Liabilities	168,232	149,718
Long-term debt, net of current portion	706,853	613,781
Deferred income taxes	137,557	125,041
Other liabilities	4,706	5,544
Shareholders' Equity:		
Common stock (par value \$.01 per share, 120,000,000		
shares authorized, 85,533,724 issued and outstanding		
in 2008, 87,410,653 issued and outstanding in 2007)	855	874
Additional paid-in capital	87,889	197,462
Accumulated other comprehensive income	30,240	30,520
Retained earnings	555,568	485,219
Total Shareholders' Equity	674,552	714,075
Total Liabilities and Shareholders' Equity	\$ 1,691,900	\$ 1,608,159

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

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

In thousands, except share and per share data

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Revenues	\$ 277,786	\$ 232,845	\$ 532,570	\$ 443,894
Costs and Expenses:				
Cost of revenues	148,394	122,577	283,515	234,196
Selling, general and				
administrative expenses	49,711	42,192	95,476	78,895
Depreciation and				
amortization	8,292	7,708	16,637	14,846
Gain on sale of assets	--	(1,075)	--	(1,898)
Impairment of permit	--	228	--	228
Impairment of fixed assets	--	611	--	1,261
Arbitration settlement and				
related costs	147	--	5,499	--
Acquisition integration				
expenses	316	606	1,029	919
Total Costs and				
Expenses	206,860	172,847	402,156	328,447
Income from Operations	70,926	59,998	130,414	115,447
Other Income (Expense):				
Interest income	157	537	559	938
Interest expense	(8,139)	(8,276)	(16,267)	(15,976)
Insurance proceeds	--	--	--	500
Other expense, net	(518)	(230)	(961)	(783)
Total Other Expense	(8,500)	(7,969)	(16,669)	(15,321)
Income Before Income				
Taxes	62,426	52,029	113,745	100,126
Income Tax Expense	23,741	20,031	43,396	38,741

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Net Income	\$	38,685	\$	31,998	\$	70,349	\$	61,385
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Earnings Per Common Share:

Basic	\$	0.45	\$	0.37	\$	0.81	\$	0.70
Diluted	\$	0.44	\$	0.36	\$	0.79	\$	0.68

Weighted Average Number of

Common Shares Outstanding:

Basic	86,093,711	87,634,365	86,469,432	87,957,649
Diluted	88,484,943	89,956,735	88,944,593	90,203,819

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

STERICYCLE, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

In thousands

	Six Months Ended June 30,	
	2008	2007
OPERATING ACTIVITIES:		
Net income	\$ 70,349	\$ 61,385
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Gain on sale of assets	--	(1,898)
Impairment of fixed assets	--	1,261
Impairment of permit intangible	--	228
Write-off of note receivable related to joint venture	798	--
Stock compensation expense	5,987	5,074
Excess tax benefit of stock options exercised	(4,523)	(2,444)
Depreciation	14,793	13,096
Amortization	1,844	1,750
Deferred income taxes	11,222	8,189
Changes in operating assets and liabilities, net of effect of		
acquisitions and divestitures:		
Accounts receivable	(9,304)	(18,613)
Accounts payable	(9,575)	4,755
Accrued liabilities	10,748	(6,584)
Deferred revenues	2,982	2,359
Other assets	(686)	1,913
Net cash provided by operating activities	94,635	70,471
INVESTING ACTIVITIES:		
Payments for acquisitions and international investments,		
net of cash acquired	(33,399)	(51,529)

Proceeds from maturity of short-term investments	129	1,948
Proceeds from sale of assets	--	26,453
Proceeds from sale of property and equipment	--	124
Capital expenditures	(22,977)	(23,031)
Net cash used in investing activities	(56,247)	(46,035)

FINANCING ACTIVITIES:

Repayment of long-term debt	(3,760)	(32,856)
Net (borrowings) / proceeds on senior credit facility	(29,700)	49,142
Proceeds from private placement of long-term note	100,000	--
Payments of deferred financing costs	(236)	--
Principal payments on capital lease obligations	(199)	(341)
Purchase/ cancellation of treasury stock	(121,195)	(58,661)
Proceeds from other issuance of common stock	9,737	9,473
Excess tax benefit of stock options exercised	4,523	2,444
Net cash used in financing activities	(40,830)	(30,799)
Effect of exchange rate changes on cash	(2,271)	(5,422)
Net decrease in cash and cash equivalents	(4,713)	(11,785)
Cash and cash equivalents at beginning of period	17,108	13,492
Cash and cash equivalents at end of period	\$ 12,395	\$ 1,707

NON-CASH ACTIVITIES:

Net issuance of notes payable for certain acquisitions	\$ 30,544	\$ 37,215
Net issuance of common stock for certain acquisitions	--	365

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

STERICYCLE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

NOTE 1 BASIS OF PRESENTATION

The accompanying condensed 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; but the Company believes the disclosures in the accompanying condensed consolidated financial statements are adequate to make the information presented not misleading. In our opinion, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal recurring nature. These condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements and notes thereto for the year ended December 31, 2007, as filed with our Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the six months ended June 30, 2008 are not necessarily indicative of the results that may be achieved for the entire year ending December 31, 2008.

NOTE 2 ACQUISITIONS AND DIVESTITURE

During the quarter ended March 31, 2008, we completed two acquisitions. We acquired selected assets of a domestic medical waste business and all the stock of a regulated waste business in Canada. Effective for the month ended March 31, 2008, we dissolved our relationship in a United Kingdom joint venture, White Rose Sharpsmart Limited that was formed in October 2001, prior to our acquisition of White Rose Environmental Limited in June 2004. This joint venture was previously consolidated in our financial statements.

During the quarter ended June 30, 2008, we completed three acquisitions. We acquired selected assets of two domestic regulated waste businesses and 90% of the stock of a medical waste business in Chile.

The aggregate net purchase price of our acquisitions, including adjustments for purchase accounting, during the six months ended June 30, 2008 was approximately \$63.9 million, of which \$33.4 million was paid in cash and \$30.5 million was paid by the issuance of promissory notes. For financial reporting purposes these acquisition transactions were accounted for using the purchase method of accounting. The purchase prices of these acquisitions, in excess of acquired tangible assets, have been primarily allocated to goodwill and are preliminary pending completion of certain intangible asset

valuations. The results of operations of these acquired businesses have been included in the consolidated statements of income from the dates of acquisition. These acquisitions resulted in recognition of goodwill in our financial statements reflecting the complementary strategic fit that the acquired businesses brought to us.

NOTE 3 INCOME TAXES

We and our subsidiaries file U.S. federal income tax returns and income tax returns in various states and foreign jurisdictions. With a few exceptions, we are no longer subject to U.S. federal, state, local, or non-U.S. income tax examinations by tax authorities for years before 2001. Tax years 2005 and 2006 remain open and subject to examination by the IRS, and our subsidiaries in foreign countries have tax years open ranging from 2002 through 2006.

The total amount of income tax contingency reserve as of June 30, 2008 is \$3.7 million, which includes immaterial amounts of interest and penalties and is reflected as a liability on the balance sheet. The amount of income tax contingency reserve that, if recognized, would affect the effective tax rate is approximately \$3.7 million. At June 30, 2008, the balances have not materially changed nor do we expect a material increase or decrease to these balances over the next twelve months. We recognize interest and penalties accrued related to income tax reserves in income tax expense. This method of accounting is consistent with prior years.

NOTE 4 STOCK BASED COMPENSATION

At June 30, 2008 we had stock options outstanding under the following plans:

- (i)
the 2008 Incentive Stock Plan, which our stockholders approved in May 2008;
- (ii)
the 2005 Incentive Stock Plan, which our stockholders approved in April 2005;
- (iii)
the 2000 Nonstatutory Stock Option Plan, which our Board of Directors adopted in February 2000;
- (iv)

the 1997 Stock Option Plan, which expired in January 2007;

(v)

the Directors Stock Option Plan, which expired in May 2006;

(vi)

the 1995 Incentive Compensation Plan, which expired in July 2005;

(vii)

and our Employee Stock Purchase Plan, which our stockholders approved in May 2001.

The following table sets forth the expense related to stock compensation:

In thousands

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Stock options	\$ 2,789	\$ 2,522	\$ 5,718	\$ 4,877
Employee Stock Purchase Program	134	102	269	197
Total pre-tax expense	\$ 2,923	\$ 2,624	\$ 5,987	\$ 5,074

The following table sets forth the tax benefits related to stock compensation:

In thousands

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Tax benefit recognized in income				
statement	\$ 1,158	\$ 1,451	\$ 2,369	\$ 2,388
Excess tax benefit realized	4,546	1,868	4,523	2,444

The Black-Scholes option-pricing model is used in determining the fair value of each option grant using the assumptions noted in the table below. The expected term of options granted is based on historical experience and represents the period of time that awards granted are expected to be outstanding. Expected volatility is based upon historical volatility of the company's stock. The expected dividend yield is zero. The risk-free interest rate is based upon the U.S. Treasury yield rates of a comparable period.

The assumptions that we used in the Black-Scholes model are as follows:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Expected term (in years)	5.5	4.7	5.5	4.1
Expected volatility	25.41%	24.64%	26.29%	27.18%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Risk free interest rate	3.76%	4.72%	2.76%	4.55%

The weighted average grant date fair value of the stock options granted during the three and six months ended June 30, 2008 and 2007, was \$16.33 and \$12.93, and \$13.51 and \$11.20, respectively.

Stock option activity for the six months ended June 30, 2008, was as follows:

	Number of Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2007	7,258,795	\$ 25.41		
Granted	1,146,774	53.73		
Exercised	(538,368)	16.31		
Cancelled or expired	(117,076)	30.26		
Outstanding at June 30, 2008	7,750,125	\$ 30.16	6.93	\$ 169,394,809
Exercisable at June 30, 2008	4,053,433	\$ 22.48	5.67	\$ 118,649,052
Vested and expected to vest in the future				
at June 30, 2008	6,440,182	\$ 28.53	6.65	\$ 150,979,191

The total intrinsic value of options exercised for the three and six months ended June 30, 2008 and 2007 was \$14.7 million and \$9.1 million, and \$21.2 million and \$12.8

million, respectively. Intrinsic value is measured using the fair market value at the date of the exercise (for options exercised) or at June 30, 2008 (for outstanding options), less the applicable exercise price.

As of June 30, 2008, there was \$16.4 million of total unrecognized compensation expense, related to non-vested stock options, which is expected to be recognized over a weighted average period of 1.95 years.

NOTE 5 COMMON STOCK

During the quarter ended March 31, 2008, we repurchased on the open market, and subsequently cancelled, 1,482,185 shares of common stock. The weighted average repurchase price was \$53.56 per share.

During the quarter ended June 30, 2008, we repurchased on the open market, and subsequently cancelled, 984,533 shares of common stock. The weighted average repurchase price was \$52.49 per share, with \$9.9 million of cash paid for the repurchase settling at the beginning of July 2008.

NOTE 6 NET INCOME PER COMMON SHARE

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

In thousands, except share and per share data

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Numerator:				
Numerator for basic earnings per share				
Net income	\$ 38,685	\$ 31,998	\$ 70,349	\$ 61,385
Denominator:				
Denominator for basic earnings per	86,093,711	87,634,365	86,469,432	87,957,649

share weighted average
shares

Effect of diluted securities:

Employee stock options	2,390,096	2,317,753	2,466,859	2,242,521
Warrants	1,136	4,617	8,302	3,649
Dilutive potential share	2,391,232	2,322,370	2,475,161	2,246,170
Denominator for diluted earnings per				

share-adjusted weighted
average

shares and after assumed
conversions

	88,484,943	89,956,735	88,944,593	90,203,819
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Earnings per share	Basic	\$	0.45	\$	0.37	\$	0.81	\$	0.70
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Earnings per share	Diluted	\$	0.44	\$	0.36	\$	0.79	\$	0.68
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NOTE 7 COMPREHENSIVE INCOME

The components of total comprehensive income are net income, the change in cumulative currency translation adjustments and gains and losses on derivative instruments qualifying as cash flow hedges. The following table sets forth the components of total comprehensive income for the three and six months ended June 30, 2008 and 2007:

In thousands

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Net income	\$ 38,685	\$ 31,998	\$ 70,349	\$ 61,385
Other comprehensive income:				
Currency translation adjustments	1,718	5,180	(391)	4,566
Net (loss)/ gain on derivative instruments	(128)	(389)	111	(452)
Other comprehensive income/ (loss)	1,590	4,791	(280)	4,114
Total comprehensive income	\$ 40,275	\$ 36,789	\$ 70,069	\$ 65,499

NOTE 8 GUARANTEE

We have guaranteed a loan to JPMorganChase Bank N.A. on behalf of Shiraishi-Sogyo Co. Ltd (Shiraishi). Shiraishi is a customer in Japan that is expanding their medical waste management business and has a one year loan with a current balance of \$4.5 million with JPMorganChase Bank N.A. that expires in May 2009.

NOTE 9 GOODWILL

We have two geographical reporting segments, United States and Foreign Countries, both of which have goodwill. The changes in the carrying amount of goodwill, for the six months ended June 30, 2008 were as follows:

In thousands

	United States	Foreign Countries	Total
Balance as of January 1, 2008	\$ 842,978	\$ 190,355	\$ 1,033,333
Changes due to currency fluctuation	--	2,567	2,567
Changes in goodwill on 2007 acquisitions	(979)	1,843	864
Goodwill on 2008 acquisitions	42,155	14,580	56,735
Balance as of June 30, 2008	\$ 884,154	\$ 209,345	\$ 1,093,499

During the quarter ended June 30, 2008 we performed our annual goodwill impairment evaluation for our three reporting units, Domestic Regulated Medical Waste, Domestic Regulated Returns Management, and Foreign Countries, and determined that none of our recorded goodwill was impaired. During this evaluation we calculated the fair value of the reporting units by multiplying their Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) for the prior twelve months times a

valuation multiple. The valuation multiple is the average market price of our stock for the prior twelve month period times the outstanding shares at June 30, 2008, divided by the trailing twelve month EBITDA. This EBITDA multiple is an indication of the fair value of the company, per the marketplace. The fair value was then compared to the reporting units' book value and determined to be in excess of the book value by a considerable margin. The book value was determined by subtracting their total liabilities from their total assets. We complete our annual impairment analysis of our indefinite lived intangibles (facility permits) during the quarter ended December 31 of each year.

NOTE 10 LEGAL PROCEEDINGS

We operate in a highly regulated industry and must deal with regulatory inquiries or investigations from time to time that may be instituted for a variety of reasons. We are also involved in a variety of civil litigation from time to time.

On April 19, 2008 Stericycle and Daniels Corporation (UK) Limited (Daniels UK), a subsidiary of Daniels Sharpsmart Pty Limited (Daniels), and certain affiliated companies entered into a settlement of arbitration proceedings in the United Kingdom prior to any award by the arbitrator. At the same time, we entered into settlements with other subsidiaries of Daniels resolving various disputes, and we finalized the payment of the legal fees that SteriCorp Limited had been awarded under the arbitrator's award. In connection with these net settlements, we recognized a total pre-tax expense of \$5.5 million, or an after-tax expense of \$3.4 million for the six months ended June 30, 2008.

NOTE 11 NEW ACCOUNTING STANDARDS

Effective January 1, 2008, we adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, for all financial assets and liabilities and for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. Financial Accounting Standards Board (FASB) Staff Position (FSP) No. 157-2 delayed the adoption date for nonfinancial assets and liabilities that are measured at fair value on a non-recurring basis, such as goodwill and identifiable intangible assets until January 1, 2009. We do not believe the adoption of SFAS No. 157 for our non-financial assets and liabilities, effective January 1, 2009, will have a material impact on our consolidated financial statements. Our adoption of SFAS No. 157 did not require a cumulative effect adjustment to the opening balance of our retained earnings. See Note 13 - Fair Value Measurements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" (SFAS No. 159). SFAS No. 159 allows measurement at fair value of eligible financial assets and liabilities that are not otherwise measured at fair value. If the fair value option for an eligible item is elected, unrealized gains and losses for that item are reported in current

earnings at each subsequent reporting date. SFAS No. 159 also establishes presentation and disclosure requirements designed to draw comparisons

between the different measurement attributes that we elect for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We do not have any financial assets or liabilities for which we elect the fair value option under SFAS No. 159.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)). SFAS No. 141(R) replaces SFAS No. 141, Business Combinations. SFAS No. 141(R) requires the acquiring entity in a business combination to recognize the full fair value of assets acquired and liabilities assumed in the transaction; requires certain contingent assets and liabilities acquired to be recognized at their fair values on the acquisition date; requires contingent consideration to be recognized at its fair value on the acquisition date and changes in the fair value to be recognized in earnings until settled; requires the expensing of most transaction and restructuring costs; and generally requires the reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties to also be recognized in earnings. This accounting standard is effective for financial statements issued for fiscal years beginning after December 15, 2008. We are currently evaluating the provisions of SFAS No. 141(R) to determine the potential impact, if any, the adoption will have on our financial position and results of operations.

In March 2008, the FASB issued SFAS Statement No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS No. 161), to enhance the disclosure regarding the Company's derivative and hedging activities to improve the transparency of financial reporting. This statement is effective for fiscal years beginning after November 15, 2008. As SFAS No. 161 only requires enhanced disclosures, this standard will have no impact on the financial position, results of operations, or cash flows of the Company.

NOTE 12 GEOGRAPHIC INFORMATION

Management has determined that we have two reportable segments, United States and Foreign Countries based on our consideration of the criteria detailed in SFAS No. 131, Disclosures about Segments of an Enterprise and Related Information. Revenues are attributed to countries based on the location of customers. Inter-company revenues recorded by the United States for work performed in Canada, which are immaterial, are eliminated prior to reporting United States revenues. The same accounting principles and critical accounting policies are used in the preparation of the financial statements for both reporting segments.

Detailed information for our United States reporting segment is as follows:

In thousands

**Three Months Ended
June 30,**

**Six Months Ended
June 30,**

	2008	2007	2008	2007
Regulated medical waste management				
services	\$ 184,976	\$ 157,416	\$ 362,814	\$ 304,939

Regulated returns management services	25,999	24,746	42,451	40,310
Total revenue	210,975	182,162	405,265	345,249
Net interest expense	6,084	6,702	12,586	12,664
Income before income taxes	50,794	44,985	99,750	86,544
Income taxes	21,288	17,333	39,260	33,836
Net income	\$ 29,506	\$ 27,652	\$ 60,490	\$ 52,708
Depreciation and amortization	\$ 5,679	\$ 5,443	\$ 11,482	\$ 10,702

Detailed information for our Foreign Countries reporting segment is as follows:

In thousands

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2008	2007	2008	2007
Regulated medical waste management				
services	\$ 66,811	\$ 50,683	\$ 127,305	\$ 98,645
Net interest expense	1,898	1,037	3,122	2,374
Income before income taxes	11,632	7,044	13,995	13,582
Income taxes	2,453	2,698	4,136	4,905
Net income	\$ 9,179	\$ 4,346	\$ 9,859	\$ 8,677
Depreciation and amortization	\$ 2,613	\$ 2,265	\$ 5,155	\$ 4,144

NOTE 13 FAIR VALUE MEASUREMENTS

We adopted SFAS No. 157 on January 1, 2008, which clarifies that fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. Under SFAS No. 157, fair value should be based on the assumptions market participants would use when pricing the asset or liability and establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based

on market data obtained from sources independent of our company. Unobservable inputs are those that reflect the company's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

As required by SFAS No. 157, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of assets and liabilities and their placement within the fair value hierarchy levels. The impact of our creditworthiness has been considered in the fair value measurements noted below. In addition, under SFAS No. 157, the fair value measurement of a liability must reflect the nonperformance risk of an entity.

At June 30, 2008, we have \$12.4 million in cash and cash equivalents, and \$1.1 million of short term investments that we carry on our books at fair value using Level 1 inputs. We have a cash flow hedge with an objective to offset foreign currency exchange risk to the U.S. dollar equivalent cash inflows on the settlement of a GBP denominated intercompany loan. The fair value of the hedge was calculated using Level 2 inputs and was recorded as a liability of \$2.4 million as of June 30, 2008. There were no movements of items between fair value hierarchies.

NOTE 14 NEW BORROWINGS

On April 15, 2008, we entered into a note purchase agreement with nine institutional purchasers whereby we issued and sold to the purchasers \$100 million of our 5.64% senior notes due April 15, 2015 (the Notes). The notes bear interest at the fixed rate of 5.64% per annum. Interest is payable in arrears semi-annually on April 15 and October 15 beginning on October 15, 2008, and principal is payable at the maturity of the notes on April 15, 2015.

The Notes are unsecured obligations and rank pari passu with our obligations under our senior unsecured credit facility pursuant to our credit agreement with Bank of America, N.A. and the other lenders party to the credit agreement. We applied the proceeds from the sale of the Notes to reduce our borrowings under our senior unsecured credit facility. The Notes contain customary events of default, including our failure to pay any principal, interest or other amount when due, our violation of our affirmative or negative covenants or a breach of our representations and warranties. Upon the occurrence of an event of default, payment of the Notes may be accelerated by the holders of the notes.

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

We were incorporated in 1989 and presently serve a very diverse customer base of approximately 402,900 customers throughout the United States, United Kingdom, Mexico, Canada, Ireland, Argentina, Chile and Puerto Rico. We have fully integrated networks including processing centers and transfer and collection sites. We use these networks to provide a broad range of services to our customers including regulated

medical waste management services and regulated return management services. Regulated medical waste management services include servicing a variety of customers to remove and process waste while regulated return management services are physical services provided to companies and individual businesses that assist with the handling of products that are being removed from the supply chain due to recalls and expiration. These services also include advanced notification technology that is used to communicate specific instructions to the users of the product.

Our waste treatment technologies include autoclaving, incineration, chemical treatment and our proprietary electro-thermal-deactivation system. In addition, we have technology licensing agreements with companies located in Japan, Brazil, and South Africa.

Other than the adoption of SFAS No. 157 (see Note-13 Fair Value Measurements), there were no material changes in the Company's critical accounting policies since the filing of its 2007 Form 10-K. As discussed in the 2007 Form 10-K, the preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amount of reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results may differ from those estimates.

THREE MONTHS ENDED JUNE 30, 2008 COMPARED TO THREE MONTHS ENDED JUNE 30, 2007

The following summarizes the Company's operations:

In thousands, except per share data

	2008		Three Months Ended June 30, 2007	
	\$	%	\$	%
Revenues	\$ 277,786	100.0	\$ 232,845	100.0
Cost of revenues	154,632	55.7	128,328	55.1
Gross profit	123,154	44.3	104,517	44.9
Selling, general and administrative expenses	52,081	18.7	44,755	19.2
Gain on sale of assets	--	--	(1,075)	-0.5
Impairment of permit	--	--	228	0.1
Impairment of fixed assets	--	--	611	0.3
Arbitration settlement and related costs	147	0.1	--	--

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Income from operations	70,926	25.5	59,998	25.8
Net interest expense	7,982	2.9	7,739	3.3
Income tax expense	23,741	8.5	20,031	8.6
Net income	\$ 38,685	13.9	\$ 31,998	13.7
Earnings per share- diluted	\$ 0.44		\$ 0.36	

Revenues: Our revenues increased \$44.9 million, or 19.3%, to \$277.8 million in 2008 from \$232.9 million in 2007. Domestic revenues increased \$28.8 million, or

15.8%, to \$211.0 million from \$182.2 million in 2007 as internal revenue growth for domestic small account customers increased by approximately \$11.3 million, or approximately 12%, and internal revenue growth for large quantity customers increased by approximately \$4.4 million, or approximately 8%. Internal revenue growth for returns management was \$1.3 million, and domestic acquisitions less than one year old contributed approximately \$11.8 million to the increase in domestic revenues.

International revenues increased \$16.1 million to \$66.8 million, or 31.8%, from \$50.7 million in 2007. Internal growth in the international segment contributed \$8.9 million, or 17.5% in increased revenues, before taking into consideration the effect of exchange rates and acquisitions. The effect of exchange rate fluctuations favorably impacted international revenues approximately \$1.1 million while acquisitions less than one year old contributed an additional \$6.1 million in international revenues.

Cost of Revenues: Our cost of revenues increased \$26.3 million, or 20.5%, to \$154.6 million during 2008 from \$128.3 million during 2007. Our domestic cost of revenues increased \$17.9 million, or 19.1%, to \$111.3 million from \$93.4 million in 2007 as a result of costs related to a proportional increase in revenues from acquisitions and internal growth. Our international cost of revenues increased \$8.4 million, or 24.2% to \$43.3 million from \$34.9 million in 2007 as a result of costs related to proportional increase in revenues from acquisitions and internal revenue growth. Our gross margin percentage decreased to 44.3% during 2008 from 44.9% during 2007 primarily due to an increase in fuel and energy costs.

Selling, General and Administrative Expenses: Selling, general and administrative expenses, including acquisition related costs, increased \$7.3 million, or 16.4%, to \$52.1 million, for the quarter ended June 30, 2008 from \$44.8 million for the comparable quarter in 2007. As a percentage of revenue, these costs decreased by 0.5% for the quarter ended June 30, 2008 compared to the same period in 2007.

Income from Operations: Income from operations increased to \$70.9 million for the quarter ended June 30, 2008 from \$60.0 million for the comparable quarter in 2007, an increase of 18.2%. During the quarter ended June 30, 2008, we recognized additional business dispute settlement and related costs of \$0.1 million. During the quarter ended June 30, 2007 we recognized a gain on sale of assets of \$1.1 million, partially offset by \$0.6 million in idled fixed assets write-offs and \$0.2 million write-off of intangible permit.

Net Interest Expense: Net interest expense increased to \$8.0 million during the quarter ended June 30, 2008 from \$7.7 million during the comparable quarter in 2007 due to increased borrowings related to stock repurchases and acquisitions partially offset by lower interest rates.

Income Tax Expense: Income tax expense increased to \$23.7 million for the quarter ended June 30, 2008 from \$20.0 million for the comparable quarter in 2007. The increase was due to higher taxable income. The effective tax rates for the quarters ended June 30, 2008 and 2007 were 38.0% and 38.5%, respectively.

SIX MONTHS ENDED JUNE 30, 2008 COMPARED TO SIX MONTHS ENDED JUNE 30, 2007

The following summarizes the Company's operations:

In thousands, except per share data

	Six Months Ended June 30,		Six Months Ended June 30,	
	2008		2007	
	\$	%	\$	%
Revenues	\$ 532,570	100.0	\$ 443,894	100.0
Cost of revenues	295,826	55.5	245,141	55.2
Gross profit	236,744	44.5	198,753	44.8
Selling, general and administrative				
Expenses	100,831	18.9	83,715	18.9
Gain on sale of assets	--	--	(1,898)	-0.4
Impairment of permit	--	--	228	0.1
Impairment of fixed assets	--	--	1,261	0.3
Arbitration settlement and related costs	5,499	1.0	--	--
Income from operations	130,414	24.5	115,447	26.0
Net interest expense	15,708	2.9	15,038	3.4
Income tax expense	43,396	8.1	38,741	8.7
Net income	\$ 70,349	13.2	\$ 61,385	13.8
Earnings per share- diluted	\$ 0.79		\$ 0.68	

Revenues: Our revenues increased \$88.7 million, or 20.0%, to \$532.6 million in 2008 from \$443.9 million in 2007. Domestic revenues increased \$60.0 million, or 17.4%, to \$405.3 million from \$345.3 million in 2007 as internal revenue growth for domestic small account customers increased by approximately \$23.7 million, or over 12%, and internal revenue growth for large quantity customers increased by approximately \$9.7 million, or over 8%. Internal revenue growth for returns management was \$2.2 million, and domestic acquisitions less than one year old contributed approximately \$24.4 million to the increase in domestic revenues.

International revenues increased \$28.7 million to \$127.3 million, or 29.1%, from \$98.6 million in 2007. Internal growth in the international segment contributed \$14.2 million, or 14.7% in increased revenues, before taking into consideration the effect of exchange rates, acquisitions, and divestitures. The effect of exchange rate fluctuations favorably impacted international revenues approximately \$3.4 million while acquisitions less than one year old contributed an additional \$13.0 million in international revenues. The divestiture of selected Sterile Technologies

Group Ltd. plants in the first quarter of 2007 negatively impacted the comparison to 2008 by \$1.9 million.

Cost of Revenues: Our cost of revenues increased \$50.7 million, or 20.7%, to \$295.8 million during 2008 from \$245.1 million during 2007. Our domestic cost of revenues increased \$34.8 million, or 19.6%, to \$212.6 million from \$177.8 million in 2007 as a result of costs related to a proportional increase in revenues from acquisitions and internal growth. Our international cost of revenues increased \$15.9 million, or

23.6% to \$83.2 million from \$67.3 million in 2007 as a result of costs related to proportional increase in revenues from acquisitions and internal revenue growth. Our gross margin percentage slightly decreased to 44.5% during 2008 from 44.8% during 2007 due to an increase in fuel and energy costs.

Selling, General and Administrative Expenses: Selling, general and administrative expenses, including acquisition related costs, increased \$17.1 million, or 20.4%, to \$100.8 million, for the six months ended June 30, 2008 from \$83.7 million for the comparable period in 2007. As a percentage of revenue, these costs remained the same.

Income from Operations: Income from operations increased to \$130.4 million for the six months ended June 30, 2008 from \$115.4 million for the comparable period in 2007, an increase of 13.0%. During 2008, we recognized business dispute settlement and related costs of \$5.5 million. During six months ended June 30, 2007 we recognized a gain on sale of assets of \$1.9 million, partially offset by \$1.3 million in idled assets write-offs and \$0.2 million write-off of intangible permit.

Net Interest Expense: Net interest expense slightly increased to \$15.7 million during the six months ended June 30, 2008 from \$15.0 million during the comparable period in 2007 due to increased borrowings partially offset by lower interest rates.

Income Tax Expense: Income tax expense increased to \$43.4 million for the six months ended June 30, 2008 from \$38.7 million for the comparable period in 2007. The increase was due to higher taxable income. The effective tax rates for the six months ended June 30, 2008 and 2007 were 38.2% and 38.7%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our senior credit facility of \$850.0 million maturing in August 2012 requires us to comply with various financial, reporting and other covenants and restrictions, including a restriction on dividend payments. At June 30, 2008, we were in compliance with all of our financial debt covenants. At June 30, 2008 the margin for interest rates on borrowings under our new credit facility was 0.0% on base rate loans (at higher of (i) the federal funds rate plus 0.5% or (ii) the prime rate) and 0.75% on LIBOR loans.

As of June 30, 2008, we had \$436.1 million of borrowings outstanding under our senior unsecured credit facility, which includes foreign currency borrowings of \$13.1 million. In addition, we had \$169.3 million committed to outstanding letters of credit. The weighted average rate of interest on the unsecured revolving credit facility was 3.38% per annum. At June 30, 2008 we had \$299.9 million in other debt outstanding, which includes promissory notes issued in connection with acquisitions during 2004 through 2008, \$100 million in private placement notes, other

foreign subsidiary bank debt and capital leases.

On April 15, 2008, we entered into a note purchase agreement (the note purchase agreement) with nine institutional purchasers pursuant to which we issued and sold to

the purchasers \$100 million of our 5.64% senior notes due April 15, 2015 (the notes). The notes bear interest at the fixed rate of 5.64% per annum. Interest is payable in arrears semi-annually on April 15 and October 15 beginning on October 15, 2008, and principal is payable at the maturity of the notes on April 15, 2015.

The notes are unsecured obligations and rank pari passu with our obligations under our senior unsecured credit facility pursuant to our credit agreement with Bank of America, N.A. and the other lenders party to the credit agreement. We applied the proceeds from the sale of the notes to reduce our borrowings under our revolving credit facility under our senior unsecured credit facility. The notes contain customary events of default, including our failure to pay any principal, interest or other amount when due, our violation of our affirmative or negative covenants or a breach of our representations and warranties. Upon the occurrence of an event of default, payment of the notes may be accelerated by the holders of the notes.

Working Capital: At June 30, 2008, our working capital decreased \$8.1 million to \$52.4 million compared to \$60.6 million at December 31, 2007. Some of the changes to working capital relate to timing of payments, such as a decrease of \$6.7 million in accounts payable offset by an increase in accrued income taxes of \$6.2 million. Other major changes to working capital include an increase in accrued liabilities of \$9.9 million for the repurchase of company shares that had not yet settled, an increase to deferred revenues of \$3.0 million, which is primarily related to prepayments on customer contracts in the United Kingdom, and an increase to short term debt of \$7.1 million related to increased borrowings. Partially offsetting those decreases to working capital was an increase in accounts receivable of \$15.8 million due to an increase in revenues.

Net Cash Provided or Used: Net cash provided by operating activities increased \$24.2 million, or 34.3%, to \$94.6 million during the six months ended June 30, 2008 compared to \$70.5 million for the comparable period in 2007. The increase in operating cash was primarily due to collections on higher revenues, which increased 20.0%.

Net cash used in investing activities for the six months ended June 30, 2008 was \$56.2 million compared to \$46.0 million in the comparable period in 2007. The difference is due to \$26.5 million received from the divestiture of selected plants in the United Kingdom completed in February 2007, partially offset by \$18.1 million less paid for acquisitions in 2008.

At June 30, 2008 we had approximately 9% of our treatment capacity in North America in incineration and approximately 91% in non-incineration technologies, such as autoclaving, and our proprietary patented ETD technology. The implementation of our commitment to move away from incineration in North America may result in a write-down of the incineration equipment as and when we close incinerators that we are currently operating. The net book value of our North American incinerators is approximately \$6.6 million, or 0.4% of our total assets. Our commitment to move away from incineration in North America is in the nature of a goal to be accomplished over an undetermined number of years. Because of uncertainties relating, among other things, to customer education and acceptance and legal requirements to incinerate portions of the

medical waste, we do not have a timetable for this transition or specific plans to close any of our existing incinerators.

Net cash used in financing activities was \$40.8 million during the six months ended June 30, 2008 compared to \$30.8 million for the comparable period in 2007. As described above, in 2008, we completed the private placement of \$100 million in unsecured seven-year notes, primarily used to pay down our revolver debt. The six months ending June 30, 2008 had \$29.0 million less in repayment of other long term debt compared to the same period in 2007. Offsetting the decrease in debt repayment was an additional \$62.5 million for the purchase of treasury stock in 2008.

Guarantees: We have guaranteed a loan to JPMorganChase Bank N.A. on behalf of Shiraishi-Sogyo Co. Ltd (Shiraishi). Shiraishi is a customer in Japan that is expanding their medical waste management business and has a one year loan with a current balance of \$4.5 million with JPMorganChase Bank N.A. that expires in May 2009.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to market risks arising from changes in interest rates. Our potential additional interest expense over one year that would result from a hypothetical, instantaneous and unfavorable change of 100 basis points in the interest rate on all of our variable rate obligations would be approximately \$4.7 million on a pre-tax basis.

We have exposure to currency exchange rate fluctuations between the U.S. dollar and U.K. pound sterling (GBP) related to an 11 million GBP inter-company loan to Stericycle International, Ltd., the parent company of White Rose Environmental. We use cash flow hedge accounting treatment on our forward contracts. Both the intercompany loan balance and the forward contracts are marked to market at the end of each reporting period and the impact on the balances is recorded on the balance sheet to other comprehensive income.

We have exposure to commodity pricing for gas and diesel fuel for our trucks and for the purchase of containers and boxes. We do not hedge these items to manage the exposure.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the fiscal quarter covered by this Report. On the basis of this evaluation, our President and Chief Executive Officer and

our Chief Financial Officer each concluded that our disclosure controls and procedures were effective.

The term "disclosure controls and procedures" is defined in Rule 13a-14(e) of the Securities Exchange Act of 1934 as "controls and other procedures designed to ensure that information required to be disclosed by the issuer in the reports, files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms." Our disclosure controls and procedures are designed to ensure that material information relating to us and our consolidated subsidiaries is accumulated and communicated to our management, including our President and Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding our required disclosures.

Internal Control Over Financial Reporting

During the quarter ended June 30, 2008, there were no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely materially to affect, our internal controls over financial reporting.

FROM TIME TO TIME WE ISSUE FORWARD-LOOKING STATEMENTS RELATING TO SUCH THINGS AS ANTICIPATED FINANCIAL PERFORMANCE, BUSINESS PROSPECTS, ACQUISITION ACTIVITIES AND SIMILAR MATTERS.

THESE FORWARD-LOOKING STATEMENTS MAY INVOLVE RISKS AND UNCERTAINTIES, SOME OF WHICH ARE BEYOND OUR CONTROL (FOR EXAMPLE, GENERAL ECONOMIC CONDITIONS). OUR ACTUAL RESULTS COULD DIFFER SIGNIFICANTLY FROM THE RESULTS DESCRIBED IN THE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE SUCH DIFFERENCES INCLUDE DIFFICULTIES IN COMPLETING THE INTEGRATION OF ACQUIRED BUSINESSES, CHANGES IN GOVERNMENTAL REGULATION OF MEDICAL WASTE COLLECTION AND TREATMENT, AND INCREASES IN TRANSPORTATION AND OTHER OPERATING COSTS, AS WELL AS VARIOUS OTHER FACTORS.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 10, Legal Proceedings, in the Notes to the Condensed Consolidated Financial Statements (Item 1 of Part I).

ITEM 2. CHANGES IN SECURITIES, USES OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

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In May 2002 our Board of Directors authorized the Company to repurchase up to 6,000,000 shares of our common stock, in the open market or through privately negotiated transactions, at times and in amounts in the Company's discretion.

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In February 2005, at a time when we had purchased a total of 2,956,860 shares, the Board authorized us to purchase an additional 2,956,860 shares.

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In February 2007, at a time when we had purchased an additional 3,142,080 shares since the prior increase in authorization, the Board authorized us to purchase up to an additional 3,142,080 shares.

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In May 2007, at a time when we had purchased an additional 1,187,142 shares since the prior increase in authorization, the Board authorized us to purchase up to an additional 1,187,142 shares.

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In May 2008, at a time when we had purchased an additional 2,938,496 shares since the prior increase in authorization, the Board authorized us to purchase up to an additional 2,938,496 shares, thereby again giving the Company the authority to purchase up to a total of 6,000,000 additional shares.

The following table provides information about our purchases during the six months ended June 30, 2008 of shares of our common stock.

Issuer Purchase of Equity Securities

Period	Total Number of Share (or Units) Purchased	Average Price Paid per Share (or Unit)	Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
January 1- January 31, 2008	198,218	\$ 54.91	198,218	4,600,653
February 1- February 29, 2008	891,224	54.10	891,224	3,709,429
March 1- March 31, 2008	392,743	51.65	392,743	3,316,686
April 1- April 30, 2008	23,498	53.26	23,498	3,293,188
May 1- May 31, 2008	231,684	52.23	231,684	6,000,000
June 1- June 30, 2008	729,351	52.54	729,351	5,270,649

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

We held our 2008 Annual Meeting of Stockholders on May 29, 2008 in Rosemont, Illinois. At the meeting, all nine nominees for election as directors were elected by the stockholders, by the following votes:

Nominee	Votes For	Votes Withheld
Jack W. Schuler	72,617,121	3,115,621
Mark C. Miller	74,980,607	752,135
Thomas D. Brown	75,000,107	732,635
Rod F. Dammeyer	74,702,212	1,030,530
William K. Hall	73,957,389	1,775,353
Jonathan T. Lord, M.D.	74,571,966	1,160,776
John Patience	72,771,977	2,960,765
Thomas R. Reusché	74,977,049	755,693
Ronald G. Spaeth	74,978,153	754,589

In addition, the stockholders voted on a proposal to approve our 2008 Incentive Stock Plan, under which stock options, stock appreciation rights, shares of restricted stock and restricted stock units may be awarded for up to a total of 3,500,000 shares of our common stock. The stockholders approved this proposal by the following vote:

For	Against	Abstain	Broker Non-Vote
57,314,526	8,617,952	92,600	9,707,664

The stockholders also voted to ratify the appointment of Ernst & Young LLP as our independent public accountants for 2008 by the following vote:

For	Against	Abstain	Broker Non-Vote
73,262,510	2,431,517	38,715	--

ITEM 6. EXHIBITS

31.1

Rules 13a-14(a)/15d-14(a) Certification of Mark C. Miller, President and Chief Executive Officer

31.2

Rule 13a-14(a)/15d-14(a) Certification of Frank J.M. ten Brink, Executive Vice President and Chief Financial Officer

32

Section 1350 Certification of Mark C. Miller, President and Chief Executive Officer, and Frank J.M. ten Brink, Executive Vice President and Chief Financial Officer

SIGNATURES

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

Dated: August 7, 2008

STERICYCLE, INC.

(Registrant)

By:

/s/ Frank J.M. ten Brink

Frank J.M. ten Brink

Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

