

STERICYCLE INC  
Form DEF 14A  
March 25, 2005

**NOTICE & PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY  
RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

**STERICYCLE, INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

\_\_\_\_\_  
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(5) Total fee paid:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form of Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**NOTICE OF 2005 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON APRIL 27, 2005**

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Dear Stockholder:

You are cordially invited to attend our 2005 Annual Meeting of Stockholders on Wednesday, April 27, 2005, at 2:30 p.m., Chicago time, at the Wyndham O Hare, 6810 North Mannheim Road, Rosemont, Illinois 60018.

At the Annual Meeting, you will be asked to consider and vote upon the following matters:

the election of a Board of Directors to hold office until the 2006 Annual Meeting of Stockholders

approval of our 2005 Incentive Stock Plan, under which stock options and stock appreciation rights for a total of 2,400,000 shares of our common stock may be awarded

ratification of the appointment of Ernst & Young LLP as our independent public accountants for the year ending December 31, 2005

if presented, a stockholder proposal regarding a plan for the elimination of incineration

any other matters that properly come before the meeting

Only stockholders of record at the close of business on the record date of February 28, 2005 are entitled to vote at the Annual Meeting.

Admission to the Annual Meeting will be by admissions card only. If you plan to attend the meeting in person, please complete and return the Reservations Form on the back cover of this Proxy Statement, and an admissions card will be mailed to you. All Reservations Forms must be received by April 20, 2005. An admissions card is not transferable and will admit only the stockholder or stockholders to whom it was issued.

For the convenience of our stockholders who do not plan to attend the Annual Meeting in person and who desire to have their shares voted, we have enclosed a proxy card. If you do not plan to attend the Annual Meeting, please complete and return the proxy card in the envelope provided for that purpose. If you return your proxy card and later decide to attend the Annual Meeting in person, or for any other reason desire to revoke your proxy, you may do so at any time before your proxy is voted.

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For the Board of Directors

**Jack W. Schuler**  
Chairman of the Board

**Mark C. Miller**  
President and Chief Executive Officer

March 25, 2005

Lake Forest, Illinois

**28161 North Keith Drive**

**Lake Forest, Illinois 60045**

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**PROXY STATEMENT**

**2005 Annual Meeting of Stockholders**

**To Be Held on April 27, 2005**

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We are furnishing this Proxy Statement in connection with the solicitation of proxies by our Board of Directors for use at our 2005 Annual Meeting of Stockholders on Wednesday, April 27, 2005, at 2:30 p.m., Chicago time, at the Wyndham O Hare, 6810 North Mannheim Road, Rosemont, Illinois 60018. We are mailing this Proxy Statement and the accompanying materials to our stockholders beginning on or about March 25, 2005.

In this Proxy Statement, we, us, our or the Company refers to Stericycle, Inc. All share (and exercise or other price per share information) has been adjusted for our 2-for-1 stock split on May 31, 2002.

**GENERAL**

**Stock.** Our authorized capital stock consists of common stock, par value \$0.01 per share ( common stock ), and Series A convertible preferred stock, par value \$0.01 per share ( convertible preferred stock ). As of February 28, 2005, the record date for the Annual Meeting, we had 44,852,410 shares of common stock outstanding. We did not have any shares of convertible preferred stock outstanding.

**Stockholders Entitled To Vote.** Only holders of our common stock who were stockholders of record at the close of business on the record date of February 28, 2005 are entitled to notice of and to vote their shares of record at the Annual Meeting. Each outstanding share of common stock is entitled to one vote.

**Quorum.** Holders of a majority of the outstanding shares of common stock entitled to vote at the Annual Meeting who are present in person or represented by proxy will constitute a quorum to conduct business at the meeting. The inspectors of election appointed at the meeting will determine the existence of a quorum and tabulate the votes cast at the meeting.

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**Voting.** The nine directors to be elected at the Annual Meeting (Item 1) will be elected by a plurality of the votes cast by stockholders present in person or represented by proxy, entitled to vote and voting. Each other matter to be voted on at the Annual Meeting will require for approval the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote.

A stockholder may withhold authority to vote for one or more nominees for director and may abstain from voting on one or more of the other matters to be voted on at the Annual Meeting. Shares for which authority is withheld or that a stockholder abstains from voting will be counted for purposes of determining whether a quorum is present. Shares for which authority is withheld will have no effect on the voting for the election of directors (which, as noted, requires a plurality of the votes cast). Shares that a stockholder abstains from voting will be included in the total of votes cast and will have the effect of votes against the matter in question.

If a broker or nominee indicates on a proxy card that it does not have discretionary authority to vote on a particular matter, the shares will be taken into account in determining whether a quorum is present (if the shares

are voted on any other matter) but will not be included in the total of votes cast and thus will have no effect on the outcome of voting on the matter.

**Telephone and Internet Voting.** Stockholders whose shares are registered in their names directly with our stock registrar and transfer agent, LaSalle Bank, N.A., may vote their shares telephonically by calling (866) 207-3912. Stockholders whose shares are registered in the name of a brokerage firm, bank or other nominee may be able to vote their shares telephonically or via the Internet. You should check the information provided by your broker, bank or other nominee to see what options, if any, are available to you.

**Proxies.** If a stockholder properly completes and returns the accompanying proxy card, the shares of stock represented by the proxy will be voted as the stockholder directs. **If no directions are given, the persons appointed as proxy holders will vote the shares in accordance with the recommendations of our Board of Directors, i.e.,** they will vote the shares *for* the election of the nominees for director described in this proxy statement (Item 1), *for* approval of our 2005 Incentive Stock Plan (Item 2), *for* ratification of the appointment of Ernst & Young LLP as our independent public accountants for 2005 (Item 3), and, if the proposal is presented at the meeting, *against* a stockholder proposal regarding a plan for the elimination of incineration (Item 4).

A stockholder may revoke a proxy at any time before it is voted by filing a signed notice of revocation with the Secretary of the Company or by returning a properly completed proxy card bearing a later date. In addition, a stockholder may revoke a proxy by attending the Annual Meeting in person and requesting to vote. Attendance at the meeting in person will not, by itself, revoke the proxy.



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**STOCK OWNERSHIP**

To our knowledge, no person or group beneficially owned more than 5.0% of our common stock as of February 28, 2005.

The following table provides certain information regarding the beneficial ownership of our common stock as of February 28, 2005 by (1) each of our directors, (2) each of our executive officers listed in the Summary Compensation Table on page 9 and (3) all of our directors and executive officers as a group:

	<b>Shares Beneficially Owned</b>	<b>Exercisable Options(1)</b>	<b>Combined Percentage(2)</b>
Jack W. Schuler(3)	1,395,109	36,325	3.17%
Mark C. Miller(4)	733,714	519,626	2.76%
Rod F. Dammeyer(5)	2,000	19,847	*
Patrick F. Graham		11,891	*
Jonathan T. Lord, M.D.	1,000	4,655	*
John Patience	68,129	56,077	*
Thomas R. Reusché(8)		9,447	*
Peter Vardy(9)	80,000	38,847	*
L. John Wilkerson, Ph.D.(10)		31,347	*
Richard T. Kogler	1,565	24,494	*
Frank J.M. ten Brink	38,824	104,680	*
Richard L. Foss	2,128	26,954	*
Shan S. Sacranie	1,450	18,447	*
All directors and executive officers as a group (13 persons)	2,323,919	973,740	7.20%

\* Less than 1%.

- (1) This column shows shares of common stock issuable upon the exercise of stock options exercisable as of or within 60 days after February 28, 2005.
- (2) Shares of common stock issuable under stock options exercisable as of or within 60 days after February 28, 2005 are considered outstanding for purposes of computing the percentage of the person holding the option or warrant but are not considered outstanding for purposes of computing the percentage of any other person.
- (3) The shares shown as beneficially owned by Mr. Schuler include 22,820 shares owned by his wife and 47,616 shares owned by trusts for the benefit of his children, with respect to all of which Mr. Schuler disclaims any beneficial ownership.
- (4) The shares shown as beneficially owned by Mr. Miller include 152,692 shares owned by his sons, with respect to which Mr. Miller disclaims any beneficial ownership.
- (5) The shares shown as beneficially owned by Mr. Dammeyer consist of 2,000 shares owned by his wife, with respect to which Mr. Dammeyer disclaims any beneficial ownership.
- (6) The shares shown as beneficially owned by Mr. Vardy include 20,000 shares owned by trusts for the benefit of his children, with respect to which Mr. Vardy disclaims beneficial ownership.
- (7) Dr. Wilkerson has assigned to Galen Advisors, LLC all of the stock options granted to him under our Directors Stock Option Plan. Dr. Wilkerson disclaims any beneficial interest in these stock options except to the extent of any pecuniary interest arising from his membership interest in Galen Advisors, LLC.

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**Item 1**
**ELECTION OF DIRECTORS**

Our Board of Directors is currently composed of nine directors. With the exception of Mark C. Miller, who serves as our President and Chief Executive Officer, all of our directors are outside directors (i.e., directors who are neither officers nor employees of ours). The Board has determined that all of our outside directors are independent under the applicable listing standards of the National Association of Securities Dealers, Inc.

Each director elected at the Annual Meeting will hold office until our annual meeting of stockholders in 2006 or until his successor is elected and qualified.

**Nominees for Director**

The following table provides certain information regarding the nominees for election as directors. All nine nominees are currently serving as our directors.

<u>Name</u>	<u>Position with Company</u>	<u>Age</u>
Jack W. Schuler	Chairman of the Board of Directors	64
Mark C. Miller	President, Chief Executive Officer and a Director	49
Rod F. Dammeyer	Director	64
Patrick F. Graham	Director	65
Jonathan T. Lord, M.D.	Director	50
John Patience	Director	57
Thomas R. Reusché	Director	49
Peter Vardy	Director	74
L. John Wilkerson, Ph.D.	Director	61

*Jack W. Schuler* has served as our Chairman of the Board of Directors 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, where he served as a director from April 1985 to August 1989. Mr. Schuler serves as chairman of the board of directors of Ventana Medical Systems, Inc., a developer and supplier of automated diagnostic systems, and as a director of Medtronic, Inc., a medical technology company, and ICOS Corporation, a biotechnology company. He is a co-founder of Crabtree Partners LLC, a private investment firm in Lake Forest, Illinois, which was formed in June 1995. Mr. Schuler received a B.S. degree in mechanical engineering from Tufts University and a M.B.A. degree from the Stanford University Graduate School of Business Administration.

*Mark C. Miller* has served as our President and Chief Executive Officer and a director since joining us in May 1992. From May 1989 until he joined us, Mr. Miller served as vice president for the Pacific, Asia and Africa in the international division of Abbott Laboratories, a diversified health care company, which he joined in 1976 and where he held a number of management and marketing positions. He is a director of Ventana Medical Systems, Inc., a developer and supplier of automated diagnostic systems, and Lake Forest Hospital. Mr. Miller received a B.S. degree in computer science from Purdue University, where he graduated Phi Beta Kappa.

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*Rod F. Dammeyer* has served as a director since January 1998. He is the President of CAC, llc, a private company providing capital investment and management advisory services, and is the retired vice chairman of Anixter International, where he served from 1985 until February 2001, and retired managing partner of corporate investments of Equity Group Investments, L.L.C., where he served from 1995 until June 2000. Mr. Dammeyer serves as a director of GATX Corporation, a worldwide specialized finance and leasing company, and Ventana Medical Systems, Inc., a developer and supplier of automated diagnostic systems. He also serves as a trustee of Van Kampen Investments, Inc. and a director of The Scripps Research Institute. He received a B.S. degree from Kent State University.

*Patrick F. Graham* has served as a director since May 1991. Mr. Graham is a vice president, business development and strategic projects, at The Gillette Company, a personal care and personal use consumer products company, and a director of Intelidata Technologies, Inc., a supplier of internet banking and bill payment software to financial institutions. He was a co-founder of Bain & Company, Inc., where he served in a number of positions from 1973 to 1997. He received a B.A. degree in economics from Knox College and a M.B.A. degree from the Stanford University Graduate School of Business Administration.

*Jonathan T. Lord, M.D.* has served as a director since August 2004. Dr. Lord is chief innovation officer/senior vice president at Humana Inc., a health benefits company, which he joined in April 2000. From October 1999 to April 2000, Dr. Lord served as president of Health Dialog, a health information provider, and from April 1997 to October 1999, he served as chief operating officer of the American Hospital Association, a national organization representing hospitals, health care networks and their patients. Dr. Lord received a B.S. degree in chemistry and a M.D. degree from the University of Miami.

*John Patience* has served as a director since our incorporation in March 1989. He is a co-founder and partner of Crabtree Partners LLC, a private investment firm in Lake Forest, Illinois, which was formed in June 1995. From January 1988 to March 1995, Mr. Patience was a general partner of a venture capital firm that he co-founded which led our initial capitalization. Mr. Patience serves as vice chairman of the board of directors of Ventana Medical Systems, Inc., a developer and supplier of automated diagnostic systems. He received B.A. and LL.B. degrees from the University of Sydney in Sydney, Australia, and a M.B.A. degree from the Wharton School of Business of the University of Pennsylvania.

*Thomas R. Reusché* has served as a director since November 1999. He served as a managing director of Madison Dearborn Partners, LLC, a private equity and venture capital firm, from 1992 until his retirement in September 2003. Prior to co-founding Madison Dearborn Partners, LLC in 1992, Mr. Reusché was a senior investment manager of First Chicago Venture Capital, which comprised the private equity investment activities of First Chicago Corporation, the holding company parent of First National Bank of Chicago. Mr. Reusché serves as chairman of the board of directors of Hines Horticulture, Inc. and a number of private companies. He has received an A.B. degree from Brown University and a M.B.A. degree from the Harvard University Graduate School of Business.

*Peter Vardy* has served as a director since July 1990. From June 1990 to December 2001, he served as the managing director of Peter Vardy & Associates, an international environmental consulting firm in Chicago, Illinois, which he founded. From April 1973 to May 1990, Mr. Vardy served at Waste Management, Inc., where he was vice president, environmental management. He received a B.S. degree in geological engineering from the University of Nevada.

*L. John Wilkerson, Ph.D.*, has served as a director since July 1992. Dr. Wilkerson is a general partner of Galen Partners, L.P. and Galen Partners International, L.P., affiliated health care venture capital funds, and serves as a director of several privately held health care 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.

#### **Committees of the Board**

Our Board of Directors has standing Compensation, Audit and Nominating and Governance Committees. All of the members of each committee are outside directors who are independent under the applicable listing standards of the National Association of Securities Dealers, Inc. ( NASD )

**Compensation Committee.** The Compensation Committee makes recommendations to the full Board of Directors concerning the base salaries and cash bonuses of our executive officers and reviews our employee compensation policies generally. The Committee also administers our

stock option plans as they apply to our

executive officers. The members of the Committee are Dr. Wilkerson (Chair) and Messrs. Graham and Vardy and Dr. Lord. Dr. Lord was appointed to the Committee, and the other members were reappointed, in February 2005. During 2004, John P. Connaughton, who is not standing for reelection as a director at the Annual Meeting, also served as a member of the Committee.

**Audit Committee.** The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities relating to the integrity of our financial statements, the qualifications and experience of our independent accountants, the performance of our internal audit function and our independent accountants, and our compliance with legal and regulatory requirements. The members of the Committee, who served during 2004 and who were reappointed in February 2005, are Messrs. Dammeyer (Chair), Patience, Reusché and Schuler.

The Board of Directors has determined that the Chair of the Committee, Rod F. Dammeyer, is an audit committee financial expert as described in the applicable rules of the Securities and Exchange Commission.

**Nominating and Governance Committee.** The Nominating and Governance Committee, identifies and evaluates possible nominees for election to the Board of Directors and recommends to the full Board a slate of nominees for election at the Annual Meeting of Stockholders. The Committee also recommends to the full Board director assignments to the Board's committees. In addition, the Committee develops, recommends to the full Board and oversees the implementation of our corporate governance policies and practices, including those required by the Sarbanes-Oxley Act of 2002. The members of the Committee are Messrs. Schuler (Chair), Dammeyer and Patience and Dr. Lord. Dr. Lord was appointed to the Committee, and the other members were reappointed, in February 2005. During 2004, John P. Connaughton also served as a member of the Committee.

The Committee considers a variety of factors in evaluating any candidate for selection as a nominee for election as a director. These factors include the candidate's personal qualities, including, in particular, the candidate's probity, independence of judgment and analytical skills, and the candidate's professional experience, educational background, knowledge of our business and health care services generally, and experience serving on the boards of other publicly traded companies. The Committee has not established any minimum qualifications that a candidate must possess. In determining whether to recommend an incumbent director for re-election, the Committee also considers the director's preparation for and participation in meetings of the Board of Directors and of committees of the Board on which he serves.

In identifying potential candidates for selection in the future as nominees for election as directors, the Committee will rely on suggestions and recommendations from the full Board, management, stockholders and others and, when appropriate, may retain a search firm for assistance. The Committee will consider candidates proposed by stockholders and will evaluate any candidate proposed by a stockholder on the same basis that it evaluates any other candidate. Any stockholder wishing to propose a candidate should submit a written recommendation to the Committee indicating the candidate's qualifications and other relevant biographical information and providing preliminary confirmation that the candidate would be willing to serve as a director. See Communications with the Board.

**Committee Charters.** The charters of the Compensation, Audit and Nominating and Governance Committees are available on our website, [www.stericycle.com](http://www.stericycle.com), under About Us/Corporate Governance.

## Meetings

Our Board of Directors held five meetings during 2004 and acted without a formal meeting on a number of occasions by the unanimous written consent of the directors. The Compensation Committee held one meeting during the year and acted without a formal meeting on several occasions. The Audit Committee held six meetings during the year. The Nominating and Governance Committee did not meet separately from

the full Board during 2004.

All of our directors attended in person or participated by teleconference in all of the meetings of the Board of Directors during 2004, with the exception of Dr. Lord, who attended both meetings of the Board following his election as a director in August 2004. All of the members of the Compensation and Audit Committees attended the respective meetings of those committees.

We encourage our directors to attend the annual meeting of stockholders. All of our directors attended the 2004 Annual Meeting of Stockholders, and we anticipate that all of our directors will attend this year's Annual Meeting.

### **Compensation of Directors**

Outside directors elected at the 2005 Annual Meeting will be granted options for their services as directors but will not be paid any fees or other cash compensation. Each option will be for a number of shares equal to (i) \$225,000 divided by (ii) the average closing price of a share of our common stock during the 12-month period ending on the last trading day prior to the Annual Meeting. The exercise price of each option will be the closing price on the day of the Annual Meeting, and the option will vest on the first anniversary of the meeting. As described below, the option grants to our outside directors reelected at our annual meetings in 2001, 2002, 2003 and 2004 were determined using \$200,000 as the numerator in this formula, and vested in 12 equal monthly increments.

Beginning with the 2001 Annual Meeting, each of our outside directors reelected at the annual meeting was entitled to an annual fee of \$50,000, payable in quarterly installments. All of our outside directors reelected at the 2004 Annual Meeting, as well as at the annual meetings in 2001, 2002 and 2003, chose to convert their annual fees into stock options pursuant to the conversion program described below. Prior to the 2001 Annual Meeting, our directors did not receive fees or other cash compensation for their services as directors.

Our Directors Stock Option Plan ( Directors Plan ), which was originally adopted by the Board of Directors and approved by our stockholders in 1996, was amended and restated by the Board in February 2001 and, as amended and restated, was approved by our stockholders at the 2001 Annual Meeting. The amendment and restatement added 600,000 shares to the total authorized, and the plan now authorizes nonstatutory stock options for 1,170,000 shares of common stock to be granted to our outside directors. As of December 31, 2004, options for 353,876 shares were outstanding at a weighted average exercise price per share of \$26.03, and 365,218 shares were available for future option grants under the plan.

The Directors Plan authorizes the Board of Directors to adopt a conversion program to allow each outside director irrevocably to elect, prior to becoming entitled to any annual fees for his services as a director, to convert into options under the plan all or any portion of the annual fees that he otherwise would have received. Prior to the 2001 Annual Meeting, the Board adopted a conversion program (which is now suspended) that allowed each outside director nominated for reelection at an annual meeting irrevocably to elect, prior to the meeting, to convert all or any portion of the annual fees that he would otherwise receive if reelected as a director into an option under the plan for a formula-determined number of shares. That number was equal to (i) the product of four times the amount of the annual fees that the outside director elects to convert (or \$200,000 if the director elected to convert all \$50,000 of his annual fees) divided by (ii) the average closing price of a share of our common stock during the 12-month period ending on the last trading day prior to the annual meeting. The exercise price of each option was the closing price on the day of the annual meeting.

All of our outside directors (with the exception of Dr. Lord) were reelected as directors at the 2004 Annual Meeting and, prior to the meeting, elected to convert all of their annual fees into options under the Directors Plan. In accordance with the conversion program's formula, each of our outside directors was granted an option in May 2004 for 4,363 shares at an exercise price of \$47.07 per share. Upon Dr. Lord's election as a director in August 2004, he was granted an option for 8,378 shares at an exercise price of \$47.17 per share for joining the Board and was also granted an option for 3,142 shares at the same exercise price for his services as a director.





The former option vests in 36 equal monthly installments while the latter option, corresponding to the options granted to the outside directors reelected at the 2004 Annual Meeting, vests in nine equal monthly increments.

Under the terms of the Directors Plan, the Board of Directors is authorized to grant stock options to outside directors at times and in amounts that the Board determines, taking into account any guidelines that the Board may adopt from time to time for this purpose. The Board has not yet adopted any guidelines for annual option grants, and did not grant any options to our outside directors during 2004 other than options granted pursuant to the conversion program and the options granted to Dr. Lord. The Board does not currently contemplate granting any options to our outside directors during 2005 other than the options previously described.

The exercise price of each option granted under the Directors Plan is the closing price on the date of the option grant. The term of each option granted prior to January 2000 is six years from the grant date, and the term of each option granted after December 1999 is 10 years from the grant date. Each option vests in 12 equal monthly increments or in accordance with any other vesting schedule that the Board approves, either generally or in the particular instance, and may be exercised only when it is vested. Each vested option granted prior to an amendment of the plan in February 2000 may be exercised only while the holder of the option remains a director or during the 90-day period following the date that he ceases to serve as a director. Each vested option granted after the amendment of the plan in February 2000 remains exercisable for the term of the option, notwithstanding that the holder has ceased to serve as a director, unless (i) the Board of Directors considers an earlier expiration date appropriate, taking into account the circumstances in which the holder ceased to serve as a director, or (ii) the director was removed from office, in which case the option remains exercisable only for 30 days after his removal.

The term of the Directors Plan continues until May 31, 2006, and no option may be granted under the plan after its expiration. At recent grant rates, there are likely to be approximately 300,000 shares still available for option grants at the time of the plan's expiration.

Each option granted under the Directors Plan is transferable to (i) a member of the outside director's immediate family, (ii) a trust for the primary benefit of the outside director or one or more members of his or her immediate family, or (iii) a corporation, partnership or other entity which, together with its affiliates, owns at the time of transfer at least 2% of our outstanding common stock or 10% of our outstanding convertible preferred stock and to which the outside director has a contractual obligation to assign his outside remuneration.

### **Communications with the Board**

Stockholders who wish to communicate with the Board may do so by writing to the Board of Directors, Stericycle, Inc., 28161 North Keith Drive, Lake Forest, Illinois 60045. Our Investor Relations Department will process all communications received. Communications that relate to matters within the scope of the Board's responsibilities will be forwarded to the Chairman of the Board and at his direction to the other directors; communications that relate to ordinary day-to-day business matters that are not within the scope of the Board's responsibilities will be forwarded to the appropriate officer or executive. Communications addressed to a particular committee of the Board will be forwarded to the chair of the committee and at his direction to the other members of the committee.

## EXECUTIVE COMPENSATION

The following table provides certain information regarding the compensation paid to or earned by our President and Chief Executive Officer and our four other executive officers during 2004 (the named executive officers) for services rendered in 2004, 2003 and 2002:

### Summary Compensation Table

	Fiscal Year	Annual Compensation		Long-Term Compensation Awards	All Other Compensation(4)
		Salary(1)	Bonus(2)	Number of Securities	
				Underlying Options(3)	
Mark C. Miller	2004	\$ 308,477	\$ 290,452	81,793	\$ 8,613
President and Chief Executive Officer	2003	294,700	\$ 227,115	65,902	\$ 6,316
	2002	288,100	98,000	77,476	8,820
Richard T. Kogler	2004	231,358	116,699	35,685	1,500
Executive Vice President and Chief Operating Officer	2003	221,000	97,335	41,967	1,500
	2002	216,100	47,250	50,804	1,500
Frank J.M. ten Brink	2004	231,358	116,699	35,685	1,500
Executive Vice President Chief Financial Officer	2003	221,000	97,335	41,967	1,500
	2002	216,100	47,250	50,804	1,500
Richard L. Foss(5)	2004	207,692	46,902	30,443	1,500
Executive Vice President, Corporate Development	2003	161,300		40,000	1,154
	2002				
Shan S. Sacranie(5)	2004	181,731	28,288	24,680	1,500
Executive Vice President, International	2003	104,300		30,000	
	2002				

(1) The annual base salaries of the named executive officers have not changed since April 2003. Messrs. Miller, Kogler and ten Brink received a 3.0% salary increase in April 2003, raising their annual base salaries to \$297,052, \$222,789 and \$222,789, respectively, and the annual base salaries of Messrs. Foss and Sacranie, who joined us in February and May 2003, respectively, remain their initial base salaries of \$200,000 and \$175,000, respectively. The salary amounts shown for 2004 reflect the fact that there were 27, and not 26, biweekly payroll periods ending during the year.

(2) Under our cash bonus program in 2004 for executive officers, an executive officer could elect in advance of any award to forego some portion or all of any bonus otherwise payable under the program and receive instead an immediately vested nonstatutory stock option at an exercise price per share equal to the closing price of a share of our common stock on the bonus award date. The number of shares for which an option was granted was determined by dividing the product of four times the amount of the cash bonus that the participating executive officer elected to forego by the average closing price of our common stock during the year in respect of which the bonus is payable.

In 2004, Messrs. Miller, Kogler, ten Brink, Foss and Sacranie elected to forego \$124,479, \$38,900, \$38,900, \$46,903 and \$28,287, respectively, of their respective cash bonuses of \$414,931, \$155,599, \$155,599, \$93,805 and \$56,575 for their performance in 2003, receiving instead stock options for 11,793, 3,685, 3,685, 4443 and 2,680 shares, respectively.

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In 2003, Messrs. Miller, Kogler and ten Brink elected to forego \$97,335, \$32,445 and \$32,445, respectively, of their respective cash bonuses of \$324,450, \$129,780 and \$129,780 for their performance in 2002, receiving instead stock options for 11,902, 3,967 and 3967 shares, respectively. In 2002, Messrs. Miller, Kogler and ten Brink elected to forego \$42,000, \$15,750 and \$15,750, respectively, of their respective cash

bonuses of \$140,000, \$63,000 and \$63,000 for their performance in 2001, receiving instead stock options for 7,476, 2,804 and 2,804 shares, respectively.

- (3) The stock options granted in 2004 to Messrs. Miller, Kogler, ten Brink, Foss and Sacranie include options for 11,793, 3,685, 3,685, 4,443 and 2,680 shares, respectively, granted in lieu of all or portions of the cash bonuses otherwise payable under our cash bonus program for executive officers. Similarly, the stock options granted in 2003 to Messrs. Miller, Kogler and ten Brink include options for 11,902, 3,967 and 3,967 shares, respectively, granted in lieu of all or portions of the cash bonuses otherwise payable under our cash bonus program for executive officers, and the stock options granted in 2002 to Messrs. Miller, Kogler and ten Brink include options for 7,476, 2,804 and 2,804 shares, respectively. See Note 1.
- (4) These amounts represent our matching contributions under our 401(k) plan. Our matching contributions in 2004, 2003 and 2002 were 50% of the first 5% of compensation contributed by a participant, up to a maximum matching contribution each year of \$1,500. The amounts shown for Mr. Miller in 2004, 2003 and 2002 also include \$7,113, \$4,816 and \$7,320, respectively, in disability insurance premiums and, in 2004 and 2002, life insurance premiums, that we reimbursed to him.
- (5) Mr. Foss joined us as an executive officer in February 2003. Mr. Sacranie joined us in May 2003 and became an executive officer in November 2003.

## 2004 Stock Option Grants

The following table provides certain information regarding stock options granted to the named executive officers in 2004. In accordance with the rules of the Securities and Exchange Commission, the following table also provides the potential realizable value over the term of the options (i.e., 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 forecasts of the future appreciation of the price of our common stock. We did not grant stock appreciation rights to any named executive officer in 2004.

### Option Grants in Last Fiscal Year

	Individual Grants		Exercise Price Per Share(3)	Expiration Date	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)			5%	10%
Mark C. Miller	70,000	9.47%	\$ 44.22	2/02/14	\$ 1,946,680	\$ 4,933,270
	11,793	1.59%	44.22	2/02/14	247,383	626,916
Richard T. Kogler	32,000	4.33%	44.22	2/02/14	889,911	2,255,209
	3,685	0.50%	44.22	2/02/14	102,479	259,701
Frank J.M. ten Brink	32,000	4.33%	44.22	2/02/14	889,911	2,255,209
	3,685	0.50%	44.22	2/02/14	102,479	259,701
Richard L. Foss	26,000	3.52%	44.22	2/02/14	723,053	1,832,358
	4,443	0.60%	44.22	2/02/14	123,559	313,122