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

FORM 10-K

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

For the fiscal year ended June 30, 2009

Commission file number: 001-15317

RESMED INC.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

98-0152841
(IRS Employer Identification No.)

9001 Spectrum Center Blvd.
San Diego, CA 92123
United States of America
(Address of principal executive offices)

(858) 836-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
TITLE OF EACH CLASS
Common Stock, $0.004 Par Value

Name of each exchange upon which registered
New York Stock Exchange

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [x] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes [ ] No [x]

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations S-K (S 229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [x] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [x]

The aggregate market value of the voting and non-voting common equity held by non-affiliates of registrant as of December 31, 2008 (the last business day of the registrant's most recently completed second fiscal quarter), computed by reference to the closing sale price of such stock on the New York Stock Exchange, was approximately $2,985,718,000. All directors, executive officers, and 10% stockholders of registrant are considered affiliates.

At August 12, 2009, registrant had 75,544,678 shares of Common Stock, $0.004 par value, issued and outstanding. This number excludes 6,701,925 shares held by the registrant as treasury shares.

Portions of the registrant's definitive Proxy Statement to be delivered to shareholders in connection with the registrant's 2009 Annual Meeting of Stockholders, to be filed subsequent to the date hereof, are incorporated by reference into Part III of this report.

CONTENTS

As used in this 10-K, the terms "we", "us", "our" and "the Company" refer to ResMed Inc., a Delaware corporation, and its subsidiaries, on a consolidated basis, unless otherwise stated.

PART I

Cautionary Note Regarding Forward-Looking Statements

This report contains or may contain certain forward-looking statements and information that are based on the beliefs of our management as well as estimates and assumptions made by, and information currently available to our management. All statements other than statements regarding historical facts are forward-looking statements. The words “believe,” “expect,” “anticipate,” “intend,” “seek,” “will,” “will continue,” “estimate,” “plan,” “future” and other similar expressions generally identify forward-looking statements, including, in particular, statements regarding the development and approval of new products and product applications, market expansion, pending litigation, and the development of new markets for our products, such as cardiovascular and stroke markets. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on these forward-looking statements each of which applies only as of the date of this report. Such forward-looking statements reflect the views of our management at the time such statements are made and are subject to a number of risks, uncertainties, estimates and assumptions, including, without limitation, and in addition to those identified in the text surrounding such statements, those identified in Item 1A “Risk Factors” and elsewhere in this report.

In addition, important factors to consider in evaluating such forward-looking statements include changes or developments in social, economic, market, legal or regulatory circumstances, changes in our business or growth strategy or an inability to execute our strategy due to changes in our industry or the economy generally, the emergence of new or growing competitors, the actions or omissions of third parties, including suppliers, customers, competitors and governmental authorities, the impact of future developments related to the product recall, and various other factors subject to risks and uncertainties which could cause actual results to materially differ from those projected or implied in the forward-looking statements. Should any one or more of these risks or uncertainties materialize, or the underlying estimates or assumptions prove incorrect, actual results may vary significantly from those expressed in such forward-looking statements, and there can be no assurance that the forward-looking statements contained in this report will in fact occur.

ITEM 1 BUSINESS

General

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders. Sleep-disordered breathing, or SDB, includes obstructive sleep apnea, or OSA, and other respiratory disorders that occur during sleep. When we were formed in 1989, our primary purpose was to commercialize a treatment for OSA developed by Professor Colin Sullivan. This treatment, nasal Continuous Positive Airway Pressure, or CPAP, was the first successful noninvasive treatment for OSA. CPAP systems deliver pressurized air, typically through a nasal mask, to prevent collapse of the upper airway during sleep.

Since the development of CPAP, we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories. Our growth has been fuelled by geographic expansion, increased awareness of respiratory conditions as a significant health concern among physicians and patients, and our research and product development efforts.

We employ approximately 2,900 people and sell our products in over 70 countries through a combination of wholly owned subsidiaries and independent distributors.

Our web site address is www.resmed.com. We make our periodic reports, together with any amendments, available on our web site, free of charge, as soon as reasonably practicable after we electronically file or furnish the reports with the Securities and Exchange Commission.

Corporate History

ResMed Inc., a Delaware corporation, was formed in March 1994 as the ultimate holding company for our Americas, Asia-Pacific and European operating subsidiaries. On June 1, 1995, we completed an initial public offering of common stock and on June 2, 1995 our common stock commenced trading on the NASDAQ National Market. On September 30, 1999 we transferred our principal public listing to the New York Stock Exchange, or NYSE, trading under the ticker symbol RMD. On November 25, 1999, we established a secondary listing of our common stock via Chess Depositary Instruments, or CDI's, on the Australian Stock Exchange (now known as the Australian Securities Exchange), or ASX, also under the symbol RMD. Ten CDI's on the ASX represent one share of our common stock on the NYSE. On July 1, 2002, we converted our ASX listing status from a foreign exempt listing to a full listing.

Our Australian subsidiary, ResMed Holdings Limited, was originally organized in 1989 by Dr. Peter Farrell to acquire from Baxter Center for Medical Research Pty Limited, or Baxter, the rights to certain technology relating to CPAP treatment as well as Baxter's existing CPAP device business. Baxter had sold CPAP devices in Australia since 1988, having acquired the rights to the technology in 1987.

Since formation we have acquired a number of operating businesses including:

Name of Entity	Date of Acquisition
Dieter W. Priess Medtechnik	February 7, 1996
Premium Medical SARL	June 12, 1996
Innovmedics Pte Ltd	November 1, 1997
EINAR Egnell AB	January 31, 2000
MAP Medizin Technologie GmbH	February 16, 2001
Labhardt AG	November 15, 2001
Servo Magnetics Inc.	May 14, 2002
John Stark and Associates	July 24, 2002
Respro Medical Company Limited	July 2, 2003
Resprecare BV	December 1, 2004
Hoefner Medizintechnik GmbH	February 14, 2005
Saime SA	May 19, 2005
Pulmomed Medizinisch-Technische Geräte GmbH	July 1, 2005
PolarMed Holding AS	December 1, 2005
Western Medical Marketing	October 4, 2006
Respicure Medsys PVT.LTD	April 30, 2009

Segment Information

We believe that, given the single market focus of our operations solely in the sleep-disordered breathing sector of the respiratory medicine industry, and the inter-dependence of its products, we operate as a single operating segment. See Note 16 – Segment Information of the Notes to Financial

Statements (Part II, Item 8) for financial information regarding segment reporting. Financial information about our revenues from and assets located in foreign countries is also included in the notes to our consolidated financial statements.

The Market

Sleep is a complex neurological process that includes two distinct states: rapid eye movement, or REM, sleep and non-rapid eye movement, or non-REM, sleep. REM sleep, which is about 20-25% of total sleep experienced by adults, is characterized by a high level of brain activity, bursts of rapid eye movement, increased heart and respiration rates, and paralysis of many muscles. Non-REM sleep is subdivided into four stages that generally parallel sleep depth; stage 1 is the lightest and stage 4 is the deepest.

The upper airway has no rigid support and is held open by active contraction of upper airway muscles. Normally, during REM sleep and deeper levels of non-REM sleep, upper airway muscles relax and the airway narrows. Individuals with narrow upper airways or poor muscle tone are prone to temporary collapses of the upper airway during sleep, called apneas, and to near closures of the upper airway called hypopneas. These breathing irregularities result in a lowering of blood oxygen concentration, causing the central nervous system to react to the lack of oxygen or increased carbon dioxide and signaling the body to respond. Typically, the individual subconsciously arouses from sleep, causing the throat muscles to contract, opening the airway. After a few gasping breaths, blood oxygen levels increase and the individual can resume a deeper sleep until the cycle repeats itself. Sufferers of OSA typically experience ten or more such cycles per hour. While these awakenings greatly impair the quality of sleep, the individual is not normally aware of these disruptions. In addition, OSA has recently been recognized as a cause of hypertension and a significant co-morbidity for heart disease, stroke and diabetes.

Scientists estimate that one in five adults have some form of obstructive sleep apnea. In the United States alone, this represents approximately 40 million people. Despite the high prevalence of OSA, there is a general lack of awareness of OSA among both the medical community and the general public. It is estimated that less than 10% of those with OSA have been diagnosed or treated. Many healthcare professionals are often unable to diagnose OSA because they are unaware that such non-specific symptoms as excessive daytime sleepiness, snoring, hypertension and irritability are characteristic of OSA.

While OSA has been diagnosed in a broad cross-section of the population, it is predominant among middle-aged men and those who are obese, smoke, consume alcohol in excess or use muscle-relaxing and pain-killing drugs. A strong association has been discovered between OSA and a number of cardiovascular diseases. Recent studies have shown that SDB is present in approximately 80% of patients with drug-resistant hypertension, approximately 72% of patients with type 2 diabetes and approximately 80% of patients with congestive heart failure. In relation to diabetes, recent studies indicate that SDB is independently associated with glucose intolerance and insulin resistance.

Sleep-Disordered Breathing and Obstructive Sleep Apnea

Sleep-disordered breathing encompasses all physiological processes that cause detrimental breathing patterns during sleep. Manifestations include OSA, central sleep apnea, or CSA, and hypoventilation syndromes that occur during sleep. Hypoventilation syndromes are generally associated with obesity, chronic obstructive lung disease and neuromuscular disease. OSA is the most common form of SDB.

Sleep fragmentation and the loss of the deeper levels of sleep caused by OSA can lead to excessive daytime sleepiness, reduced cognitive function, including memory loss and lack of concentration,

depression and irritability. OSA sufferers also experience an increase in heart rate and an elevation of blood pressure during the cycle of apneas. Several studies indicate that the oxygen desaturation, increased heart rate and elevated blood pressure caused by OSA may be associated with increased risk of cardiovascular morbidity and mortality due to angina, stroke and heart attack. Patients with OSA have been shown to have impaired daytime performance in a variety of cognitive functions including problem solving, response speed and visual motor coordination, and studies have linked OSA to increased occurrences of traffic and workplace accidents.

Generally, an individual seeking treatment for the symptoms of OSA is referred by a general practitioner to a specialist for further evaluation. The diagnosis of OSA typically requires monitoring the patient during sleep at either a sleep clinic or the patient's home. During overnight testing, respiratory parameters and sleep patterns may be monitored, along with other vital signs such as heart rate and blood oxygen levels. Simpler tests, using devices such as our Apnealink, or our automatic positive airway pressure devices, monitor airflow during sleep, and use computer programs to analyze airflow patterns. These tests allow sleep clinicians to detect any sleep disturbances such as apneas, hypopneas or subconscious awakenings. We estimate that there are currently around 3,000 sleep clinics in the United States, a substantial portion of which are affiliated with hospitals. The number of sleep clinics has expanded significantly from approximately 100 such facilities in 1985.

Existing Therapies

Before 1981, the primary treatment for OSA was a tracheotomy, a surgical procedure to cut a hole in the patient's windpipe to create a channel for airflow. Most recently, alternative treatments have involved either uvulopalatopharyngoplasty, or UPPP, in which surgery is performed on the upper airway to remove excess tissue and to streamline the shape of the airway, implanting a device to add support to the soft palate, or mandibular advancement, in which the lower jaw is moved forward to widen the patient's airway. UPPP alone has a poor success rate; however, when performed in conjunction with multi-stage upper airway surgical procedures, a greater success rate has been claimed. These combined procedures, performed by highly specialized surgeons, are expensive and involve prolonged and often painful recovery periods.

CPAP, by contrast, is a non-invasive means of treating OSA. CPAP was first used as a treatment for OSA in 1980 by Dr. Colin Sullivan, the past Chairman of our Medical Advisory Board. CPAP systems were commercialized for treatment of OSA in the United States in the mid 1980's. Today, use of CPAP is generally acknowledged as the most effective and least invasive therapy for managing OSA.

During CPAP treatment, a patient sleeps with a nasal interface connected to a small portable airflow generator that delivers room air at a positive pressure. The patient breathes in air from the flow generator and breathes out through an exhaust port in the interface. Continuous air pressure applied in this manner acts as a pneumatic splint to keep the upper airway open and unobstructed. Interfaces include nasal masks and nasal pillows. Sometimes, when a patient leaks air through their mouth, a full-face mask may need to be used, rather than a nasal interface.

CPAP is not a cure and therefore, must be used on a nightly basis as long as treatment is required. Patient compliance has been a major factor in the efficacy of CPAP treatment. Early generations of CPAP units provided limited patient comfort and convenience. Patients experienced soreness from the repeated use of nasal masks and had difficulty falling asleep with the CPAP device operating at the prescribed pressure. In more recent years, product innovations to improve patient comfort and compliance have been developed. These include more comfortable patient interface systems; delay timers that gradually raise air pressure allowing the patient to fall asleep more easily; bilevel air flow

generators, including Variable Positive Airway Pressure, or VPAP systems, which provide different air pressures for inhalation and exhalation; heated humidification systems to make the airflow more comfortable; and autotitration devices that reduce the average pressure delivered during the night.

Business Strategy

We believe that the SDB market will continue to grow in the future due to a number of factors including increasing awareness of OSA, improved understanding of the role of SDB treatment in the management of cardiac, neurologic, metabolic and related disorders, and an increase in home-based diagnosis. Our strategy for expanding our business operations and capitalizing on the growth of the SDB market consists of the following key elements:

Continue Product Development and Innovation. We are committed to ongoing innovation in developing products for the diagnosis and treatment of SDB. We have been a leading innovator of products designed to more effectively treat SDB, increase patient comfort and encourage compliance with prescribed therapy. For example, in 1999 we introduced the Mirage Full Face Mask. This mask conforms to the patient's facial contours, creating a more comfortable and better seal. In 2002, we introduced the AutoSet Spirit flow generator, our second-generation autotitrating device that adapts to the patient's breathing patterns to more effectively treat OSA. In 2003, we introduced the Mirage Activa nasal mask, with active cushion technology. In 2004, we introduced the Mirage Swift nasal pillows system, a less obtrusive, lightweight, and flexible alternative to nasal masks. In 2005, we introduced the S8 range of CPAP, a small flow generator with optional integrated humidification. In 2007, we introduced the Mirage Quattro, a full face mask that offers dual-wall cushion with spring air technology which accommodates movement during sleep, and the Mirage Liberty, which combines our nasal pillow technology in a full face mask product with a minimalist design. In 2008, we launched several new patient interfaces including the Mirage Micro, a new generation nasal mask with a microfit dial and the Swift LT which offers a pillow system for additional support and comfort. In 2008, we also launched an updated version of our S8 flow generator and the VPAP Auto, a new bi-level device incorporating our new motor technology including the easy-breathe waveform. In 2009, we launched Activa LT and the Swift LT for Her, which was the first nasal pillow product released that is designed and marketed specifically for female patients. We believe that continued product development and innovation are key factors to our ongoing success. Approximately 11% of our employees are devoted to research and development activities. In fiscal year 2009, we invested $63.1 million, or 7% of our revenues, in research and development.

Expand Geographic Presence. We market our products in over 70 countries to sleep clinics, home healthcare dealers and third party payers. We intend to increase our sales and marketing efforts in our principal markets, as well as expand the depth of our presence in other geographic regions.

Increase Public and Clinical Awareness. We intend to continue to expand our existing promotional activities to increase awareness of SDB and our treatment alternatives. These promotional activities target the population with predisposition to SDB as well as primary care physicians and specialists, such as cardiologists, neurologists and pulmonologists. In addition, we also target special interest groups, including the National Stroke Association, the American Heart Association and the National Sleep Foundation.

During fiscal years 2009, 2008 and 2007, we donated $3.5 million, $2.0 million and $Nil, respectively, to the ResMed Foundation in the United States, and the ResMed Foundation in Australia, to further enhance research and awareness of SDB. The contributions to the Foundations reflect ResMed's commitment to medical research into sleep-disordered breathing, particularly the treatment of obstructive sleep apnea.

Expand into New Clinical Applications. We continually seek to identify new applications of our technology for significant unmet medical needs. Recent studies have established a clinical association between OSA and both stroke and congestive heart failure, and have recognized SDB as a cause of hypertension or high blood pressure. Research also indicates that SDB is independently associated with glucose intolerance and insulin resistance. We have developed a device for the treatment of Cheyne-Stokes breathing in patients with congestive heart failure. In addition, we maintain close working relationships with a number of prominent physicians to explore new medical applications for our products and technology. In 2007 we received Food and Drug Administration, or FDA, clearance and launched a new product in the United States for the treatment of respiratory insufficiency due to central sleep apnea, mixed apnea and periodic breathing, called the Adapt SV. The Adapt SV uses a technology known as adaptive servo-ventilation and was first made available to a select group of U.S. key opinion leader sites beginning in the third quarter of fiscal year 2006. Adapt SV, utilizes an advanced algorithm to calculate a patient-specific minute ventilation target and automatically adjusts pressure support to maintain the target. We believe this technology has allowed physicians to successfully treat complex breathing disorders in some patients who had previously tried and failed traditional positive airway pressure therapy.

Leverage the Experience of our Management Team. Our senior management team has extensive experience in the medical device industry in general, and in the field of SDB in particular. We intend to continue to leverage the experience and expertise of these individuals to maintain our innovative approach to the development of products and increase awareness of the serious medical problems caused by SDB.

Products

Our portfolio of products for the treatment of OSA and other forms of SDB includes airflow generators, diagnostic products, mask systems, headgear and other accessories.

Air Flow Generators

We produce CPAP, VPAP and AutoSet systems for the titration and treatment of SDB. The flow generator systems deliver positive airway pressure through a patient interface, either a small nasal mask, nasal pillows system, or full-face mask.

Our VPAP units deliver ultra-quiet, comfortable bilevel therapy. There are two preset pressures: a higher pressure as the patient breathes in, and a lower pressure as the patient breathes out. Breathing out against a lower pressure makes treatment more comfortable, particularly for patients who need high pressure levels or for those with impaired breathing ability.

AutoSet systems are based on a proprietary technology to monitor breathing and can also be used in the diagnosis, treatment and management of OSA. CPAP and VPAP flow generators accounted for approximately 58%, 50% and 52% of our net revenues in fiscal years 2009, 2008 and 2007, respectively.

With the acquisition of Saime SAS in May 2005, we increased our presence in the European homecare ventilation market. The VS and Elisée range of products are sophisticated, yet easy to use for physicians, clinicians and patients. We believe these devices compliment our VPAP III, VPAP Adapt SV and Autoset CS2 for patients who need ventilatory assistance.

The tables below provide a selection of products, as known by our trademarks, which have been released during the last five years.

Continuous Positive Airway Pressure Products	Description	Date of Commercial Introduction
ResMed S8 Series	A small CPAP device with optional integrated humidification.	June 2005
C-Series Tango	An entry level CPAP device with optional humidification	March 2007
ResMed S8 Series II	A small CPAP device with enhanced feature set to the original S8 Series, with improved patient therapy comfort. The device has an optional integrated humidifier.	April 2008
S8 Elite (AutoScore) II (ROW, ex Japan)	A small CPAP device with enhanced feature set to the original S8 (AutoScore), with improved patient therapy comfort. The device has an optional integrated humidifier.	September 2007
S8 Elite II (US)	A small CPAP device with enhanced feature set to the original S8 Elite, with further improved patient therapy comfort. The device has an optional integrated humidifier.	April 2008
S8 Escape II (US)	A small CPAP device with enhanced feature set to the original S8 Escape, with further improved patient therapy comfort. The device has an optional integrated humidifier	June 2008
S8 Escape (Lightweight) II (ROW, ex Japan)	A small CPAP device with enhanced feature set to the original S8 Escape (Lightweight), with further improved patient therapy comfort. The device has an optional integrated humidifier	September 2008

VARIABLE POSITIVE AIRWAY PRESSURE PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
VPAP Adapt SV	The newest and most highly evolved bilevel device which uses adaptive servo-ventilation technology to treat patients with central sleep apnea, mixed apnea and periodic breathing.	March 2006
VPAP Malibu	Auto-adjusting bilevel device utilizing the smooth pressure waveform of the VPAP Adapt SV to achieve ultimate comfort for non-compliant CPAP users.	April 2007
VPAP Auto	Auto-bilevel device on the compact S8 platform utilizing the easy-breathe waveform and Autoset algorithms.	January 2008
VPAP Adapt SV – Enhanced	Revised VPAP Adapt SV increasing pressure range from 4-20 cmH2O to 4-25 cmH2O and AHI resporting.	February 2008
VPAP ST	Small compact Bi-level ST device in an S8 box with VAuto for US	June 2008
VPAP Auto 25	Small compact Bi-level ST device in an S8 box with VAuto for US	June 2008
VPAP III STA with QuickNav	An upgraded Bi-level device with alarm history, instant efficacy data and a large screen.	July 2008
VPAP S / VPAP IV	Bi-level device that provides S and CPAP modes with the pressure up to 25 cmH2O in a compact and convenient S8 design.	September 2008
VPAP IV ST#	Small compact Bi-level ST device in an S8 box with VAuto for Europe	September 2008
S8 Auto 25	Bi-level device that provides the Easy-Breathe wave on the AutoSet algorithm and the pressure up to 25cm H2O in a compact and convenient S8 design.	October 2008

Sold outside United States only

AUTOMATIC POSITIVE AIRWAY PRESSURE PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
AutoSet CS2*#	Modular, automatic device specifically designed to normalize ventilation in congestive heart failure patients with Cheyne Stokes respiration. The device has an optional integrated humidifier.	August 2004
S8 Autoset II (ROW, ex Japan)	Premium auto-adjusting device in ResMed's S8 Series II range, with improved patient therapy comfort. The device has an optional integrated humidifier.	September 2007
S8 Autoset II (US)	Premium auto-adjusting device in ResMed's S8 Series II range, with further improved patient therapy comfort. The device has an optional integrated humidifier.	April 2008

* Not cleared for marketing in the United States
# Sold outside United States only

VENTILATION PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Elisée 150*#	Ventilator device that combines volumetric and barometric ventilation modes with single or double limb circuit.	June 2004
Elisée 370*#	Ventilator for use in Intensive Care Unit combining all conventional ventilation modes, diagnostic functions with external monitoring interface for ventilation loops.	September 2004
Elisée 250*#	Ventilator for use in transport and emergency situations.	April 2005
Elisée 150*# (Lyon)	New software launch V2.50 incorporating CPAP mode and additional flexibility in settings. For example presetting 2 programs in both invasive and non-invasive.	November 2008
VS III *#	Pressure support and volume ventilator for invasive and non-invasive purposes so it can be used from the hospital to the home. Launched in France and Germany.	December 2008

* Not cleared for marketing in the United States
# Sold outside United States only

Mask Systems and Diagnostic Products

Mask systems are one of the most important elements of SDB treatment systems. Masks are a primary determinant of patient comfort and as such may drive or impede patient compliance with therapy. We have been a consistent innovator in masks, improving patient comfort while minimizing size and weight. Masks, accessories, motors and diagnostic products accounted for approximately 42%, 50% and 48% of our net revenues in fiscal years 2009, 2008 and 2007, respectively.

MASK PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
Mirage Swift	A light and unobtrusive nasal pillows mask system.	August 2004
Silent Papillon Mask*#	A low noise nasal mask with simplified assembly.	March 2005
Hospital Full Face Mask	Disposable full face mask specifically designed for hospital use.	April 2005
Hospital Nasal Mask	Disposable nasal mask specifically designed for hospital use.	April 2005
Ultra Mirage II	Advanced version of the Ultra Mirage Nasal System with improved comfort and ease of fit through enhanced forehead pads and support.	July 2005
Meridian Nasal Mask	A value line nasal mask that is simple yet comfortable.	February 2006
Mirage Swift II	Improved design to reduce noise and airflow pattern.	April 2007
Mirage Quattro	ResMed's fourth generation full face mask, delivering an individualized fit for over 95% of users.	April 2007
Mirage Liberty	A full face mask that seals individually at the mouth and nose. With less skin contact and an open field of vision, this unobtrusive mask feels light on the face.	May 2007
Hospital NV Full Face Mask	Non-vented version of hospital Full Face Mask designed for hospital ventilation	October 2007
Micro Mirage	Nasal mask equipped with Mircofit dial for personalized fit	February 2008
Swift LT	Nasal mask offering pillow system for additional support and stability	June 2008
Activa LT	Nasal mask including Active Cell Technology in a lightweight version to help mitigate leak and optimize patient comfort	October 2008
Swift LT for Her	Nasal mask offering pillows systems with female specific design features	November 2008

* Not cleared for marketing in the United States
# Sold outside United States only

We market sleep recorders for the diagnosis and titration of SDB in sleep clinics and hospitals. These diagnostic systems record relevant respiratory and sleep data, which can be analyzed by a sleep specialist or physician who can then tailor an appropriate OSA treatment regimen for the patient.

DIAGNOSTIC PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
ApneaLink (MicroMesam)	A portable Sleep Apnea screening device for use by sleep professionals and primary care physicians	April 2004
ApneaLink + Oximetry	A portable Sleep Apnea screening device with oximetry measurement	June 2007
ApneaLink Plus (US)	A portable Sleep Apnea screening device with oximetry measurement and respiratory effort measurement	June 2009

Accessories and Other Products

To assist those professionals diagnosing or managing the treatment of patients there are data communications and control products such as the ResLink, ResControl, ResControl II, TxControl, ResScan and ResTraxx modules that facilitate the transfer of data and other information to and from the flow generators. To enhance patient comfort, convenience and compliance, we market a variety of other products and accessories. These products include humidifiers, such as the HumidAire, H2i and H3i, which connect directly with the CPAP, VPAP and AutoSet flow generators to humidify and heat the air delivered to the patient. Their use helps prevent the drying of nasal passages that can cause discomfort. Other optional accessories include cold passover humidifiers, carry bags and breathing circuits.

DATA / PATIENT MANAGEMENT PRODUCTS	DESCRIPTION	DATE OF COMMERCIAL INTRODUCTION
ResScan v3.6	Support for VPAP Auto 25, VPAP ST, VPAP S devices; plus ability to export patient files to csv format; option to switch between hPa and cmH2O units of measurement; patient list display improvements.	July 2008
ResScan v3.7	Support for S8 Auto 25, S8 Escape II (ROW), S8 AutoSet II w/EPR (ROW), S8 Escape II Auto devices; support for Vista Home Premium OS; support for Japanese OS; enhancements to Quick Start feature.	September 2008
ResTraxx v13	Support for using the GSM network for wireless communication between ResMed Data Centre("RDC") and S8 AutoSet II, S8 Elite II, VPAP- ST, VPAP Auto, VPAP Auto 25 & VPAP S flow generators. S8 ResTraxx Centres for Medicare and Medicaid Services ("GSM") module released.	October 2008
ResTraxx v14	Support for VPAP S devices; enhancements to compliance reports to show CMS guidelines compliance; ability to generate compliance report directly by running a script on the database for a given organization as a csv file.	May 2009

Product Development and Clinical Trials

We have a strong track record in innovation in the sleep market. In 1989, we introduced our first CPAP device. Since then we have been committed to an ongoing program of product advancement and development. Currently, our product development efforts are focused on not only improving our current product offerings, but also expanding into new product applications.

In 1999, we introduced the AutoSet T flow generator, an autotitrating device that adapts to the patient's breathing patterns to effectively prevent apneas. In 2001, we introduced our next generation autotitrating device, the AutoSet Spirit. The AutoSet Spirit is an autotitrating modular device with optional integrated humidifier. In 2003, we introduced the Activa nasal mask using our patented Active Cushion Technology. In 2004, we launched our Mirage Swift mask, a light and unobtrusive

nasal pillows mask system. Also, in 2004 we launched an improved AutoSet CS 2 (outside the United States only) to treat congestive heart failure patients with significant central sleep apnea. In 2006, we launched the Adapt SV within the United States. This product is for the treatment of respiratory insufficiency due to central sleep apnea, mixed apnea and periodic breathing and uses a technology which we call adaptive servo-ventilation.

We continually seek to identify new applications of our technology for significant unmet medical needs. SDB is associated with a number of symptoms beyond excessive daytime sleepiness and irritability. Recent studies have established a clinical association between SDB and hypertension, stroke, congestive heart failure and diabetes. We support clinical trials in the United States, Germany, France, the United Kingdom, Italy, Switzerland and Australia to develop new clinical applications for our technology.

We consult with physicians at major sleep centers throughout the world to identify technological trends in the treatment of SDB. New product ideas are also identified by our marketing staff, direct sales force, network of distributors, manufacturers' representatives, customers and patients. Typically, our internal development staff then develops these ideas, where appropriate, into new products.

In fiscal years 2009, 2008 and 2007 we invested $63.1 million, $60.5 million and $50.1 million, respectively, on research and development.

Sales and Marketing

We currently market our products in over 70 countries using a network of distributors, independent manufacturers' representatives and our direct sales force. We attempt to tailor our marketing approach to each national market, based on regional awareness of SDB as a health problem, physician referral patterns, consumer preferences and local reimbursement policies. See Note 16 – Segment Information of the Notes to Financial Statements (Part II, Item 8) for financial information about our geographic areas.

North America and Latin America. Our products are typically purchased by a home healthcare dealer who then sells the products to the patient. The decision to purchase our products, as opposed to those of our competitors, is made or influenced by one or more of the following individuals or organizations: the prescribing physician and his or her staff; the home healthcare dealer; the insurer and the patient. In the United States, our sales and marketing activities are conducted through a field sales organization made up of regional territory representatives, program development specialists and regional sales directors. Our U.S. field sales organization markets and sells products to home healthcare dealer branch locations throughout the United States.

We also market our products directly to sleep clinics. Patients who are diagnosed with OSA and prescribed CPAP treatment are typically referred by the diagnosing sleep clinic to a home healthcare dealer to fill the prescription. The home healthcare dealer, in consultation with the referring physician, will assist the patient in selecting the equipment, fit the patient with the appropriate mask and set the flow generator pressure to the prescribed level.

Sales in North and Latin America accounted for 54%, 49% and 53% of our net revenues for fiscal years 2009, 2008 and 2007, respectively.

Europe. We market our products in most major European countries. We have wholly-owned subsidiaries in Austria, Finland, France, Germany, Spain, Sweden, Norway, Netherlands, Switzerland and the United Kingdom. We use independent distributors to sell our products in other areas of Europe. Distributors are selected in each country based on their knowledge of respiratory medicine

and a commitment to SDB therapy. In each country in which we sell our products direct, a local senior manager is responsible for direct national sales. In many countries in Europe, we sell our products to home healthcare dealers who then sell the products to the patients. In Germany, we also operate a home healthcare company, in which we provide products and services directly to patients, and receive reimbursement directly from third party payers.

Sales in Europe accounted for 38%, 43% and 39% of our total net revenues for fiscal years 2009, 2008 and 2007, respectively.

Asia Pacific. We have wholly–owned subsidiaries in Australia, Hong Kong, Japan, New Zealand, Singapore, China and India. We use a combination of our direct sales force and independent distributors to sell our products in Asia Pacific. Sales in Asia Pacific and the rest of the world accounted for 8%, 8% and 8% of our total net revenues for the fiscal years 2009, 2008 and 2007, respectively.

Other Marketing Efforts. We continue to pursue other suitable opportunities with professional and healthcare associations to raise awareness of the co-morbidity of SDB in cardiovascular disease patients, including coronary artery disease, congestive heart failure, hypertension and stroke.

We also continue to work to raise awareness of SDB in diabetes. Current research is increasingly showing an independent association between OSA and type 2 diabetes. Accordingly, we initiated a study investigating the prevalence of OSA in the type 2 diabetic population. Due to the high prevalence of the SDB and type 2 diabetes, we are now actively supporting the American Association of Diabetes Educators and are in the process of setting up further initiatives to develop the SDB market in the diabetic population. ResMed is also reaching out to diabetes patients. Through our partnership with the American Diabetes Association, a sleep laboratory is now present at every *Diabetes Expo* meeting where patients have the opportunity to learn about diabetes self-management.

In June 2008, the International Diabetes Federation (IDF) released a statement on SDB and type 2 diabetes. The IDF Taskforce on Epidemiology and Prevention strongly recommended that health professionals working in both type 2 diabetes and SDB adopt clinical practices to ensure that a patient presenting with one condition is considered for the other. Furthermore, the IDF recommended that people with type 2 diabetes should be screened for OSA particularly when they present classical symptoms such as witnessed apneas, heavy snoring or daytime sleepiness and poor workplace performance. We also announced a co-marketing agreement with LifeScan, a Johnson and Johnson company, to increase the level of education and awareness of SDB in the diabetic population.

In September 2008, the European Society of Cardiologists published guidelines for the treatment of acute and chronic heart failure. The guidelines noted that patients with symptomatic heart failure frequently have sleep-related disorders (central or obstructive sleep apnea) and recommended treatment with Continuous Positive Airway Pressure, or CPAP, for patients diagnosed with obstructive sleep apnea. In June 2008 the International Diabetes Federation issued a consensus statement on sleep disordered breathing and Type 2 Diabetes, where the substantial value of identifying and treating diabetic patients suffering from sleep disordered breathing was recognized and recommended. We believe that the increasing awareness among the co-morbidity specialists supports the efforts and investment we are making in new markets, including diabetes and cardiology.

Manufacturing

Our principal manufacturing facility is located in Sydney, Australia and comprises a 155,000 square foot manufacturing facility. Our manufacturing operations consist primarily of assembly and testing of our flow generators, masks and accessories. Of the numerous raw materials, parts and components

purchased for assembly of our therapeutic and diagnostic sleep disorder products, most are off-the-shelf items available from multiple vendors. We generally manufacture to our internal sales forecasts and fill orders as received. Over the last few years, the manufacturing processes have been transformed along lean manufacturing guidelines to flow lines staffed by dedicated teams. Each team is responsible for the manufacture and quality of their product group and decisions are based on performance and quality measures, including customer feedback.

We have a 43,000 square foot manufacturing facility in Paris, France. This facility is accredited to ISO 13485 and is primarily responsible for the assembly of mechanical ventilators and associated accessories.

We also manufacture high-quality electric motors for our flow generator devices at the ResMed Motor Technologies Inc. facility which comprises a 72,000 square foot facility at Chatsworth, California.

In November 2008 we opened a 32,000 square foot manufacturing facility in Singapore to complement the Sydney manufacturing site. The plant commenced with the production of masks and in the fourth quarter of fiscal year 2009 a flow generator assembly line was commissioned.

Our quality management system is based upon the requirements of ISO 9001, ISO 13485, FDA Quality System Regulations for Medical Devices and the Medical Device Directive (93/42/EEC). Our Sydney, Australia and San Diego, California and Singapore facilities are each accredited to ISO 9001 and ISO 13485. These three sites have third party audits conducted by the ISO certification bodies at regular intervals.

Third-Party Reimbursement

The cost of medical care in many of the countries in which we operate is funded in substantial part by government and private insurance programs. In Germany, we receive payments directly from these payers. Outside Germany, although we do not generally receive payments for our products directly from these payers, our success in major markets is dependent upon the ability of patients to obtain adequate reimbursement for our products.

In the United States, our products are purchased primarily by home healthcare dealers, hospitals or sleep clinics, which then invoice third-party payers directly for reimbursement. Domestic third-party payers include Medicare, Medicaid and corporate health insurance plans. These payers may deny reimbursement if they determine that a device is not used in accordance with cost-effective treatment methods, or is experimental, unnecessary or inappropriate. The long-term trend towards managed healthcare, or legislative proposals to reform healthcare, could control or significantly influence the purchase of healthcare services and products and could result in lower prices for our products. In some foreign markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products, however, subject to constraints such as price controls or unit sales limitations. In Australia and in some other foreign markets, there is currently limited or no reimbursement for devices that treat OSA.

For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the 2003 Act) reduced medical reimbursement for respiratory drugs and home oxygen to homecare providers and placed a freeze on current reimbursement levels for Durable Medical Equipment (DME) through 2008. As required by the 2003 Act, Medicare plans to implement competitive bidding of durable medical equipment in 10 of the largest Metropolitan Statistical Areas (MSA) by the end of 2007, and in 80 of the largest MSAs by the end of 2009. In addition, the U.S. Congress passed the Deficit Reduction Act of 2005 (2005 Act) in February 2006 which contained Medicare payment reductions for home oxygen equipment, and certain durable medical equipment classified by Medicare as capped

rental equipment. In August 2006, the Centers for Medicare and Medicaid Services published a proposed regulation to implement the 2005 Act which could reduce Medicare reimbursement in 2007 for oxygen equipment. Additional reimbursement reductions for home oxygen were proposed in President Bush's Fiscal Year 2007 budget proposal, and could also be enacted into law. Both the federal government and state legislatures are considering options for containing growth in the Medicaid program.

Even though we do not file claims or bill governmental programs and other third-party payers directly for reimbursement for our products sold in the United States, we are still subject to laws and regulations relating to governmental programs, and any violation of these laws and regulations could result in civil and criminal penalties, including fines. In particular, the federal Anti-Kickback Law prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a Federal healthcare program such as the Medicare and Medicaid programs. The government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us. Many states have adopted laws similar to the federal Anti-Kickback Law. We are also subject to other federal and state fraud laws applicable to payment from any third-party payer. These laws prohibit persons from knowingly and willfully filing false claims or executing a scheme to defraud any healthcare benefit program, including private third-party payers. These laws may apply to manufacturers and distributors who provide information on coverage, coding and reimbursement of their products to persons who bill third-party payers. We continuously strive to comply with these laws and believe that our arrangements do not violate these laws. Liability may still arise from the intentions or actions of the parties with whom we do business or from a different governmental agency interpretation of the laws.

Service and Warranty

We generally offer one-year and two-year limited warranties on our flow generator products. Warranties on mask systems are for 90 days. In most markets, we rely on our distributors to repair our products with parts supplied by us. In the United States, home healthcare dealers generally arrange shipment of products to our San Diego facility for repair.

We receive returns of our products from the field for various reasons. We believe that the level of returns experienced to date is consistent with levels typically experienced by manufacturers of similar devices. We provide for warranties and returns based on historical data.

Competition

The markets for our products are highly competitive. We believe that the principal competitive factors in all of our markets are product features, reliability and price. Customer support, reputation and efficient distribution are also important factors.

We compete on a market-by-market basis with various companies, some of which have greater financial, research, manufacturing and marketing resources than us. In the United States, our principal market, Philips BV, who acquired Respironics Inc., a previous competitor; DeVilbiss, a division of Sunrise Medical Inc.; Nellcor Puritan Bennett, a division of Covidien Ltd.; and Fisher & Paykel Healthcare Corporation Limited are the primary competitors for our products. Our principal European competitors are also Philips, DeVilbiss, and Nellcor Puritan Bennett, as well as regional European manufacturers. The disparity between our resources and those of our competitors may increase as a result of the trend towards consolidation in the healthcare industry. In addition, our products compete with surgical procedures and dental appliances designed to treat OSA and other SDB related

respiratory conditions. The development of new or innovative procedures or devices by others could result in our products becoming obsolete or noncompetitive, which would harm our revenues and financial condition.

Any product developed by us that gains regulatory clearance will have to compete for market acceptance and market share. An important factor in such competition may be the timing of market introduction of competitive products. Accordingly, the relative speed with which we can develop products, complete clinical testing and regulatory clearance processes and supply commercial quantities of the product to the market are important competitive factors. In addition, our ability to compete will continue to be dependent on the extent to which we are successful in protecting our patents and other intellectual property.

Patents and Proprietary Rights and Related Litigation

Through our subsidiaries ResMed Limited, MAP Medizin-Technologie GmbH, ResMed Motor Technologies Inc., and ResMed Paris SAS, we own or have licensed rights to approximately 400 issued United States patents (including approximately 200 design patents) and approximately 500 issued foreign patents. In addition, there are approximately 400 pending United States patent applications (including approximately 80 design patent applications), approximately 780 pending foreign patent applications, approximately 1,000 registered foreign designs and approximately 90 pending foreign designs. Some of these patents, patent applications and designs relate to significant aspects and features of our products.

Of our patents, 14 United States patents and 29 foreign patents are due to expire in the next five years, with 2 foreign patents due to expire in 2010, 18 in 2011, 1 in 2012, 3 in 2013, and 5 in 2014; and 2 United States patents in 2010, 4 United States patents in 2011, 2 United States patents in 2013, and 6 United States patents in 2014. We believe that the expiration of these patents will not have a material adverse impact on our competitive position.

We rely on a combination of patents, trade secrets, copyrights, trademarks and non-disclosure agreements to protect our proprietary technology and rights.

Litigation may be necessary to enforce patents issued to us, to protect our rights, or to defend third-party claims of infringement by us of the proprietary rights of others. Patent laws regarding the enforceability of patents vary from country to country. Therefore, there can be no assurance that patent issues will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.

Government Regulations

Our products are subject to extensive regulation particularly as to safety, efficacy and adherence to FDA Quality System Regulation, and related manufacturing standards. Medical device products are subject to rigorous FDA and other governmental agency regulations in the United States and similar regulations of foreign agencies abroad. The FDA regulates the introduction, manufacture, advertising, labeling, packaging, marketing, distribution and record keeping for such products, in order to ensure that medical products distributed in the United States are safe and effective for their intended use. In addition, the FDA is authorized to establish special controls to provide reasonable assurance of the safety and effectiveness of most devices. Non-compliance with applicable requirements can result in import detentions, fines, civil penalties, injunctions, suspensions or losses of regulatory approvals, recall or seizure of products, operating restrictions, refusal of the government to approve product export applications or allow us to enter into supply contracts, and criminal prosecution.

The FDA requires that a manufacturer introducing a new medical device or a new indication for use of an existing medical device obtain either a Section 510(k) premarket notification clearance or a

premarket approval, or PMA, before introducing it into the U.S. market. Our products currently marketed in the United States are marketed in reliance on 510(k) pre-marketing clearances as either Class I or Class II devices. The process of obtaining a Section 510(k) clearance generally requires the submission of performance data and often clinical data, which in some cases can be extensive, to demonstrate that the device is "substantially equivalent" to a device that was on the market before 1976 or to a device that has been found by the FDA to be "substantially equivalent" to such a pre-1976 device. As a result, FDA clearance requirements may extend the development process for a considerable length of time. In addition, in some cases, the FDA may require additional review by an advisory panel, which can further lengthen the process. The PMA process, which is reserved for new devices that are not substantially equivalent to any predicate device and for high-risk devices or those that are used to support or sustain human life, may take several years and requires the submission of extensive performance and clinical information.

As a medical device manufacturer, all of our domestic and Australian manufacturing facilities are subject to inspection on a routine basis by the FDA. We believe that our design, manufacturing and quality control procedures are in compliance with the FDA's regulatory requirements.

Sales of medical devices outside the United States are subject to regulatory requirements that vary widely from country to country. Approval for sale of our medical devices in Europe is through the CE mark process. Where appropriate, our products are CE marked to the European Union's Medical Device Directive. Under the CE marketing scheme, our products are classified as either Class I or Class II. Our devices are listed in Australia with the Therapeutic Goods Administration, or TGA, and in Canada with Health Canada.

Employees

As of June 30, 2009, we had approximately 2,900 employees or full time consultants, of which approximately 1,200 persons were employed in warehousing and manufacturing, 300 in research and development and 1,400 in sales, marketing and administration. Of our employees and consultants, approximately, 1,200 were located in Australia, 600 in North and South America, 900 in Europe and 200 in Asia.

We believe that the success of our business will depend, in part, on our ability to attract and retain qualified personnel. None of our employees are covered by a collective bargaining agreement. We believe that our relationship with our employees is good.

ITEM 1A RISK FACTORS

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to the other cautionary statements and risks described elsewhere, and the other information contained, in this Report and in our other filings with the SEC, including our subsequent reports on Forms 10-Q and 8-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs with material adverse effects on us, our business, financial condition and results of operations could be seriously harmed. In that event, the market price for our common stock will likely decline, and you may lose all or part of your investment.

Our inability to compete successfully in our markets may harm our business. The markets for our sleep-disordered breathing products are highly competitive and are characterized by frequent product improvements and evolving technology. Our ability to compete successfully depends, in part, on our ability to develop, manufacture and market innovative new products. The development of

innovative new products by our competitors or the discovery of alternative treatments or potential cures for the conditions that our products treat could make our products noncompetitive or obsolete. Current competitors, new entrants, academics, and others are trying to develop new devices, alternative treatments or cures, and pharmaceutical solutions to the conditions our products treat.

Additionally, some of our competitors have greater financial, research and development, manufacturing and marketing resources than we do. The past several years have seen a trend towards consolidation in the healthcare industry and in the markets for our products. Industry consolidation could result in greater competition if our competitors combine their resources or if our competitors are acquired by other companies with greater resources than ours. This competition could increase pressure on us to reduce the selling prices of our products or could cause us to increase our spending on research and development and sales and marketing. If we are unable to develop innovative new products, maintain competitive pricing, and offer products that consumers perceive to be as reliable as those of our competitors, our sales or gross margins could decrease which would harm our business.

Our business depends on our ability to market effectively to dealers of home healthcare products and sleep clinics. We market our products primarily to home healthcare dealers and to sleep clinics that diagnose OSA and other sleep disorders. We believe that home healthcare dealers and sleep clinics play a significant role in determining which brand of product a patient will use. The success of our business depends on our ability to market effectively to home healthcare dealers and sleep clinics to ensure that our products are properly marketed and sold by these third parties.

We have limited resources to market to approximately the 3,000 U.S. sleep clinics and the more than 6,000 home healthcare dealer branch locations, most of which use, sell or recommend several brands of products. In addition, home healthcare dealers have experienced price pressures as government and third-party reimbursement has declined for home healthcare products, and home healthcare dealers are requiring price discounts and longer periods of time to pay for products purchased from us. We cannot assure you that sleep clinic physicians will continue to prescribe our products, or that home healthcare dealers or patients will not substitute competing products when a prescription specifying our products has been written.

We have expanded our marketing activities to target the population with a predisposition to sleep-disordered breathing as well as primary care physicians and various medical specialists. We cannot assure you that these marketing efforts will be successful in increasing awareness or sales of our products.

Any inability to market effectively our products outside the U.S. could impact our profitability. Approximately half our revenues are generated outside the U.S., in over 70 different countries. Many of these countries have unique regulatory, medical and business environments, which may adversely impact our ability to market our products. If we are unable to market effectively our products outside the U.S., our overall financial performance could decline.

Fluctuations in foreign currency exchange rates could result in declines in our reported sales and earnings. Since our international sales and a significant portion of our manufacturing costs are denominated in local currencies and not in U.S. dollars, our reported sales and earnings are subject to fluctuations in foreign exchange rates. We had foreign currency transaction losses in recent periods and may have further losses in the future. We expect that international sales will continue to be a significant portion of our business and that a significant portion of our manufacturing costs and research and development costs will continue to be denominated in Australian dollars.

If we are unable to support our continued growth, our business could suffer. We have experienced rapid and substantial growth. As we continue to grow, the complexity of our operations

increases, placing greater demands on our management. Our ability to manage our growth effectively depends on our ability to implement and improve our financial and management information systems on a timely basis and to effect other changes in our business including, the ability to monitor and improve manufacturing systems, information technology, and quality and regulatory compliance systems, among others. Unexpected difficulties during expansion, the failure to attract and retain qualified employees, the failure to successfully replace or upgrade our management information systems, the failure to manage costs or our inability to respond effectively to growth or plan for future expansion could cause our growth to stop. If we fail to manage effectively and efficiently our growth, our costs could increase faster than our revenues and our business could suffer.

If we fail to integrate our recent acquisitions with our operations, our business could suffer. During the past five fiscal years we have acquired Respicure, Western Medical Marketing, PolarMed, Pulmomed, Saime, Hoefner and Resprecare. We continue to integrate these acquisitions into our operations. The integration requires significant efforts from each company and we may find it difficult to integrate the operations as personnel may leave and licensees, distributors or suppliers may terminate their arrangements or demand amended terms to these arrangements. Additionally, our management may have their attention diverted while trying to integrate these companies. If we are not able to successfully integrate the operations, we may not realize the anticipated benefits of these acquisitions.

We are subject to various risks relating to international activities that could affect our overall profitability We manufacture substantially all of our products outside the U.S. and sell a significant portion of our products in non-U.S. markets. Sales outside North and Latin America accounted for approximately 46% and 51% of our net revenues in the years ended June 30, 2009 and 2008, respectively. We expect that sales within these areas will account for approximately 50% of our net revenues in the foreseeable future. Our sales outside of North America and our operations in Europe, Australia and Asia are subject to several difficulties and risks that are separate and distinct from those we face in our U.S. operations, including:

- fluctuations in currency exchange rates;
- tariffs and other trade barriers;
- compliance with foreign medical device manufacturing regulations;
- difficulty in enforcing agreements and collect receivables through foreign legal systems;
- reduction in third party payer reimbursement for our products;
- inability to obtain import licenses;
- changes in trade policies and in U.S. and foreign tax policies;
- possible changes in export or import restrictions; and
- the modification or introduction of other governmental policies with potentially adverse effects.

Government and private insurance plans may not adequately reimburse patients for our products, which could result in reductions in sales or selling prices for our products. Our ability to sell our products depends in large part on the extent to which reimbursement for the cost of our products will be available from government health administration authorities, private health insurers and other organizations. These third party payers are increasingly challenging the prices charged for medical products and services and can, without notice, deny coverage for treatments that may include the use of the Company's products. Therefore, even if a product is approved for marketing, we cannot assure you that reimbursement will be allowed for the product, that the reimbursement amount will be adequate or, that the reimbursement amount, even if initially adequate,

will not subsequently be reduced. For example, in some markets, such as Spain, France and Germany, government reimbursement is currently available for purchase or rental of our products but is subject to constraints such as price controls or unit sales limitations. In other markets, such as Australia, there is currently limited or no reimbursement for devices that treat sleep-disordered breathing conditions. Additionally, future legislation or regulation concerning the healthcare industry or third party or governmental coverage and reimbursement, particularly legislation or regulation limiting consumers' reimbursement rights, may harm our business.

As we continue to develop new products, those products will generally not qualify for reimbursement, if at all, until they are approved for marketing. In the United States, we sell our products primarily to home healthcare dealers and to sleep clinics. We do not file claims and bill governmental programs or other third party payers directly for reimbursement for our products. However, we are still subject to laws and regulations relating to governmental reimbursement programs, particularly Medicaid and Medicare.

In addition to reimbursement for our products, our customers depend in part on reimbursement by government and private health insurers for other products. Any proposed reductions in reimbursement, if they occur, may have a material impact on our customers. Any material impact on our customers may indirectly affect our sales to those customers, or the collectibility of receivables we have from those customers.

Failure to comply with anti-kickback and fraud regulations could result in substantial penalties and changes in our business operations. In particular, the federal Anti-Kickback Law prohibits persons from knowingly and willfully soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual, or the furnishing, recommending or arranging for a good or service, for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. The U.S. government has interpreted this law broadly to apply to the marketing and sales activities of manufacturers and distributors like us. Many states and other governments have adopted laws similar to the federal Anti-Kickback Law. We are also subject to other federal and state fraud laws applicable to payment from any third party payer. These laws prohibit persons from knowingly and willfully filing false claims or executing a scheme to defraud any healthcare benefit program, including private third party payers. These laws may apply to manufacturers and distributors who provide information on coverage, coding, and reimbursement of their products to persons who do bill third party payers. Any violation of these laws and regulations could result in civil and criminal penalties (including fines), increased legal expenses and exclusions from governmental reimbursement programs, all of which could have a material adverse effect upon our business, financial conditions and results of operations.

Complying with Food and Drug Administration, or FDA, and other regulations is an expensive and time-consuming process, and any failure to comply could have a materially adverse effect on the Company's business, financial condition, or results of operations. We are subject to various federal, state, local and international regulations regarding our business activities. Failure to comply with these regulations could result in, among other things, recalls of our products, substantial fines and criminal charges against us or against our employees. Furthermore, our products could be subject to recall if the FDA or we determine, for any reason, that our products are not safe or effective. Any recall or other regulatory action could increase our costs, damage our reputation, affect our ability to supply customers with the quantity of products they require and materially affect our operating results. For example, in April 2007 we announced a worldwide voluntary product recall of approximately 300,000 of our S8 flow generators manufactured between July 2004 and May 2006. We determined that there was a remote potential for a short circuit in the power connector. To date, no significant property damage or patient injury has been reported. The initial estimated cost of this action was $59.7 million which was recognized as a charge to cost of sales in the consolidated

statement of income year ended June 30, 2007. During the year ended June 30, 2009 and June 30, 2008 we recognized additional charges of $Nil and $3.1 million. These costs accounted for factors such as expected return rates for the affected units, unit replacement costs, legal, consulting, logistical and temporary contractor expenses directly associated with the recall. We expect negligible additional costs associated with the recall and at June 30, 2009 there is no remaining recall accrual.

Product sales, introductions or modifications may be delayed or canceled as a result of FDA regulations or similar foreign regulations, which could cause our sales and profits to decline. Before we can market or sell a new medical device in the United States, we must obtain FDA clearance, which can be a lengthy and time-consuming process. We generally receive clearance from the FDA to market our products in the United States under Section 510(k) of the Federal Food, Drug, and Cosmetic Act or our products are exempt from the Section 510(k) clearance process. We have modified some of our Section 510(k) approved products without submitting new Section 510(k) notices, which we do not believe were required. However, if the FDA disagrees with us and requires us to submit new Section 510(k) notifications for modifications to our existing products, we may be required to stop marketing the products while the FDA reviews the Section 510(k) notification.

Any new product introduction or existing product modification could be subjected to a lengthier, more rigorous FDA examination process. For example, in certain cases we may need to conduct clinical trials of a new product before submitting a 510(k) notice. Additionally, we may be required to obtain premarket approvals for our products. The requirements of these more rigorous processes could delay product introductions and increase the costs associated with FDA compliance. Marketing and sale of our products outside the United States are also subject to regulatory clearances and approvals, and if we fail to obtain these regulatory approvals, our sales could suffer.

We cannot assure you that any new products we develop will receive required regulatory approvals from U.S. or foreign regulatory agencies.

We are subject to substantial regulation related to quality standards applicable to its manufacturing and quality processes. Our failure to comply with these standards could have an adverse effect on our business, financial condition, or results of operations. The FDA regulates the approval, manufacturing, and sales and marketing of many of our products in the U.S. Significant government regulation also exists in Canada, Japan, Europe, and other countries in which we conduct business. As a device manufacturer, we are required to register with the FDA and is subject to periodic inspection by the FDA for compliance with the FDA's Quality System Regulation ("QSR") requirements, which require manufacturers of medical devices to adhere to certain regulations, including testing, quality control and documentation procedures. In addition, the federal Medical Device Reporting regulations require us to provide information to the FDA whenever there is evidence that reasonably suggests that a device may have caused or contributed to a death or serious injury or, if a malfunction were to occur, could cause or contribute to a death or serious injury. Compliance with applicable regulatory requirements is subject to continual review and is rigorously monitored through periodic inspections by the FDA. In the European Community, we are required to maintain certain ISO certifications in order to sell our products and must undergo periodic inspections by notified bodies to obtain and maintain these certifications. Failure to comply with current governmental regulations and quality assurance guidelines could lead to temporary manufacturing shutdowns, product recalls or related field actions, product shortages or delays in product manufacturing. Efficacy or safety concerns, an increase in trends of adverse events in the marketplace, and/or manufacturing quality issues with respect to our products could lead to product recalls or related field actions, withdrawals, and/or declining sales.

Off-label marketing of our products could result in substantial penalties. Clearance under Section 510(k) only permits us to market our products for the uses indicated on the labeling cleared by the FDA. We may request additional label indications for our current products, and the FDA may deny those requests outright, require additional expensive clinical data to support any additional indications or impose limitations on the intended use of any cleared products as a condition of clearance. If the FDA determines that we have marketed our products for off-label use, we could be subject to fines, injunctions or other penalties.

Disruptions in the supply of components from our single source suppliers could result in a significant reduction in sales and profitability. We purchase uniquely configured components for our devices from various suppliers, including some who are single-source suppliers for us. We cannot assure you that a replacement supplier would be able to configure its components for our devices on a timely basis or, in the alternative, that we would be able to reconfigure our devices to integrate the replacement part.

A reduction or halt in supply while a replacement supplier reconfigures its components, or while we reconfigure our devices for the replacement part, would limit our ability to manufacture our devices, which could result in a significant reduction in sales and profitability. We cannot assure you that our inventories would be adequate to meet our production needs during any prolonged interruption of supply.

We are subject to potential product liability claims that may exceed the scope and amount of our insurance coverage, which would expose us to liability for uninsured claims. We are subject to potential product liability claims as a result of the design, manufacture and marketing of medical devices. In April 2007 we announced a worldwide voluntary product recall of approximately 300,000 of our S8 flow generators manufactured between July 2004 and May 2006. We determined that there was a remote potential for a short circuit in the power connector. To date, no significant property damage or patient injury has been reported. However, we would likely be subject to product liability claims should any of these devices malfunction, resulting in injury to a patient or damage to property. Any product liability claim brought against us, with or without merit, could result in the increase of our product liability insurance rates. In addition, we would have to pay any amount awarded by a court in excess of our policy limits. Our insurance policies have various exclusions, and thus we may be subject to a product liability claim for which we have no insurance coverage, in which case, we may have to pay the entire amount of any award. We cannot assure you that our insurance coverage will be adequate or that all claims brought against us will be covered by our insurance. Insurance varies in cost and can be difficult to obtain, and we cannot assure you that we will be able to obtain insurance in the future on terms acceptable to us or at all. A successful product liability claim brought against us in excess of our insurance coverage, if any, may require us to pay substantial amounts, which could harm our business.

Our intellectual property may not protect our products, and/or our products may infringe on the intellectual property rights of third parties. We rely on a combination of patents, trade secrets and non-disclosure agreements to protect our intellectual property. Our success depends, in part, on our ability to obtain and maintain United States and foreign patent protection for our products, their uses and our processes to preserve our trade secrets and to operate without infringing on the proprietary rights of third parties. We have a number of pending patent applications, and we do not know whether any patents will issue from any of these applications. We do not know whether any of the claims in our issued patents or pending applications will provide us with any significant protection against competitive products or otherwise be commercially valuable. Legal standards regarding the validity of patents and the proper scope of their claims are still evolving, and there is no consistent law or policy regarding the valid breadth of claims. Additionally, there may be third party patents, patent applications and other intellectual property relevant to our products and technology which are not known to us and that block or compete with our products.

We face the risks that:

- third parties will infringe our intellectual property rights;
- our non-disclosure agreements will be breached;
- we will not have adequate remedies for infringement;
- our trade secrets will become known to or independently developed by our competitors; or
- third parties will be issued patents that may prevent the sale of our products or require us to license and pay fees or royalties in order for us to be able to market some of our products.

Litigation may be necessary to enforce patents issued to us, to protect our proprietary rights, or to defend third party claims that we have infringed upon proprietary rights of others. The defense and prosecution of patent claims, including these pending claims, as well as participation in other inter-party proceedings, can be expensive and time consuming, even in those instances in which the outcome is favorable to us. If the outcome of any litigation or proceeding brought against us were adverse, we could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties, could be forced to design around the patents at issue or could be required to cease sales of the affected products. A license may not be available at all or on commercially viable terms, and we may not be able to redesign our products to avoid infringement. Additionally, the laws regarding the enforceability of patents vary from country to country, and we cannot assure you that any patent issues we face will be uniformly resolved, or that local laws will provide us with consistent rights and benefits.

We are subject to tax audits by various tax authorities in many jurisdictions. From time to time we may be audited by the tax authorities and are still subject to an ongoing German tax audit. Any final assessment resulting from this audit could result in material changes to our past or future taxable income, tax payable or deferred tax assets, and could require us to pay penalties and interest that could materially adversely affect our financial results.

Our quarterly operating results are subject to fluctuation for a variety of reasons. Our operating results have, from time to time, fluctuated on a quarterly basis and may be subject to similar fluctuations in the future. These fluctuations may result from a number of factors, including:

- the introduction of new products by us or our competitors;
- the geographic mix of product sales;
- the success of our marketing efforts in new regions;
- changes in third party reimbursement;
- timing of regulatory clearances and approvals;
- timing of orders by distributors;
- expenditures incurred for research and development;
- competitive pricing in different regions;
- seasonality;
- the cost and effect of promotional and marketing programs;
- the effect of foreign currency transaction gains or losses; and
- other activities of our competitors.

Fluctuations in our quarterly operating results may cause the market price of our common stock to fluctuate.

If a natural or man-made disaster strikes our manufacturing facilities, we will be unable to manufacture our products for a substantial amount of time and our sales and profitability will decline. Our facilities and the manufacturing equipment we use to produce our products would be costly to replace and could require substantial lead-time to repair or replace. The facilities may be affected by natural or man-made disasters and in the event they were affected by a disaster, we would be forced to rely on third party manufacturers. Although we believe we possess adequate insurance for damage to our property and the disruption of our business from casualties, such insurance may not be sufficient to cover all of our potential losses and may not continue to be available to us on acceptable terms, or at all.

Delaware law and provisions in our charter and could make it difficult for another company to acquire us. Provisions of our certificate of incorporation may have the effect of delaying or preventing changes in control or management which might be beneficial to us or our security holders. In particular, our Board of Directors is divided into three classes, serving for staggered three-year terms. Because of this classification it will require at least two annual meetings to elect directors constituting a majority of our Board of Directors.

Additionally, our Board of Directors has the authority to issue up to 2,000,000 shares of preferred stock and to determine the price, rights, preferences, privileges and restrictions, including voting rights, of those shares without further vote or action by the stockholders. The rights of the holders of our common stock will be subject to, and may be adversely affected by, the rights of the holders of any preferred stock that may be issued in the future. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control, may discourage bids for our common stock at a premium over the market price of our common stock and may adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock.

We may not be able to enforce the judgments of U.S. courts against some of our assets or officers and directors. A substantial portion of our assets are located outside the United States. Additionally, two of our eight directors and three of our six executive officers reside outside the United States, along with all or a substantial portion of the assets of these persons. As a result, it may not be possible for investors to enforce judgments of U.S. courts relating to any liabilities under U.S. securities laws against our assets, those persons or their assets. In addition, we have been advised by our Australian counsel that some doubt exists as to the ability of investors to pursue claims based on U.S. securities laws against these assets or these persons in Australian courts.

Our results of operations may be materially affected by global economic conditions generally, including conditions in the financial markets. Recently, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining residential real estate market in the U.S. have contributed to increased volatility and diminished expectations for the economy and the financial markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated an economic slowdown. It is difficult to predict how long the current economic conditions will continue and whether the economic conditions will continue to deteriorate. If the economic climate in the U.S. or outside the U.S. continues to deteriorate or there is a shift in government spending priorities, customers or potential customers could reduce or delay their purchases, which could impact our revenue, our ability to manage inventory levels, collect customer receivables, and ultimately decrease our profitability.

ITEM 1B UNRESOLVED STAFF COMMENTS

We have received no written comments regarding our periodic or current reports from the staff of the Securities and Exchange Commission that were issued 180 days or more preceding the end of our fiscal year 2009 that remain unresolved.

ITEM 2 PROPERTIES

Our new principal executive offices and U.S. distribution facilities, consisting of approximately 230,000 square feet, are located on Spectrum Centre Boulevard (North San Diego County), California, in a building we own. We have our research and development and office facilities at our existing site in Norwest, Sydney, Australia, which consists of approximately 69,000 square feet. We own our principal manufacturing facility consisting of a 155,000 square foot complex at this same Norwest site in Sydney, Australia. We lease a 72,000 square foot facility for manufacture of electronic motors in Chatsworth, California. During the year ended June 30, 2009, we completed the construction of our new corporate headquarters located at Kearny Mesa, San Diego. In November 2008, we opened a 32,000 square foot manufacturing facility in Singapore to complement the Sydney manufacturing site.

Sales and warehousing facilities are either leased or owned in South Carolina and Oregon, U.S.A.; Abingdon, England; Munich, Germany; Bremen, Germany; Hochstadt, Germany; Lyon, France; Paris, France; Basel, Switzerland; Trollhaettan, Sweden; Vienna, Austria; Helsinki, Finland; Den Haag, Netherlands; Oslo, Norway; and Kowloon, Hong Kong.

ITEM 3 LEGAL PROCEEDINGS

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not have a material adverse effect on our consolidated financial statements taken as a whole.

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested and appealed to the German tax authority office. As the outcome of the appeal cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution.

In February 2007, the University of Sydney commenced legal action in the Federal Court of Australia against us, claiming breach of a license agreement and infringement of certain intellectual property. The claim has been amended to include an allegation of breach of confidentiality. The university is seeking various types of relief, including an injunction against manufacturing, supplying, offering for sale, selling or exporting certain mask devices, payment of license fees, damages or an account of profits, interest, costs and declaration of a constructive trust over and assignment of certain intellectual property. In October 2007, we filed a defense denying the university's claim, as well as a cross-claim against the university seeking an order for rectification of the contract and alleging the university violated the Australian Trade Practices Act. The matter is ongoing. We do not expect the outcome of this matter to have a material adverse effect on our condensed consolidated financial statements.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol "RMD". The following table sets forth for the fiscal periods indicated the high and low closing prices for the common stock as reported by the New York Stock Exchange.

	2009		2008	
	High	Low	High	Low
Quarter One, ended September 30	$ 47.98	$ 35.53	$ 45.40	$ 39.33
Quarter Two, ended December 31	43.35	29.83	53.09	39.65
Quarter Three, ended March 31	42.81	31.82	51.31	39.20
Quarter Four, ended June 30	41.56	34.19	45.32	34.19

As of July 20, 2009, there were 43 holders of record of our common stock. We have not paid any cash dividends on our common stock since the initial public offering of our common stock and we do not currently intend to pay cash dividends in the foreseeable future. We anticipate that all of our earnings and other cash resources, if any, will be retained for the operation and expansion of our business and for general corporate purposes.

Securities Authorized for Issuance Under Equity Compensation Plans

The information included under Item 12 of Part III of this report, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," is hereby incorporated by reference into this Item 5 of Part II of this report.

Purchases of Equity Securities

The following table summarizes purchases by us of our common stock during the fiscal year ending June 30, 2009:

Period 2009	Total Number of Shares	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs[1]
July 1 to July 31	622,500	36.87	5,498,118	2,501,882
August 1 to August 31	30,100	37.89	5,528,218	2,471,782
September 1 to September 30	-	-	5,528,218	2,471,782
October 1 to October 31	-	-	5,528,218	2,471,782
November 1 to November 30	-	-	5,528,218	2,471,782
December 1 to December 31	55,989	35.02	5,584,207	2,415,793
January 1 to January 31	-	-	5,584,207	2,415,793
February 1 to February 28	50,000	37.82	5,634,207	2,365,793
March 1 to March 31	719,100	34.40	6,353,307	1,646,693
April 1 to April 30	-	-	6,353,307	1,646,693
May 1 to May 31	269,600	$ 37.11	6,622,907	10,000,000
June 1 to June 30	79,018	$ 37.78	6,701,925	9,920,982
Total	1,826,307	$ 35.96	6,701,925	9,920,982

[1] On May 27, 2009, our Board of Directors authorized a new program to repurchase up to 10.0 million shares of our outstanding common stock. This program replaces and cancels our previous program to repurchase up to 8.0 million shares authorized by the board on June 2, 2002 and allows us to repurchase shares in addition to the shares we repurchased under our previous program. There is no expiration date for the repurchase of these shares. For the years ended June 30, 2009 and 2008, we repurchased 1,826,307 and 2,570,700 shares at a cost of $65.7 million and $99.5 million, respectively. At June 30, 2009, we have repurchased a total of 6,701,925 shares at a cost of $208.3 million under both programs. We may continue to repurchase shares of our common stock for cash in the open market, or in negotiated or block transactions, from time to time as market and business conditions warrant.

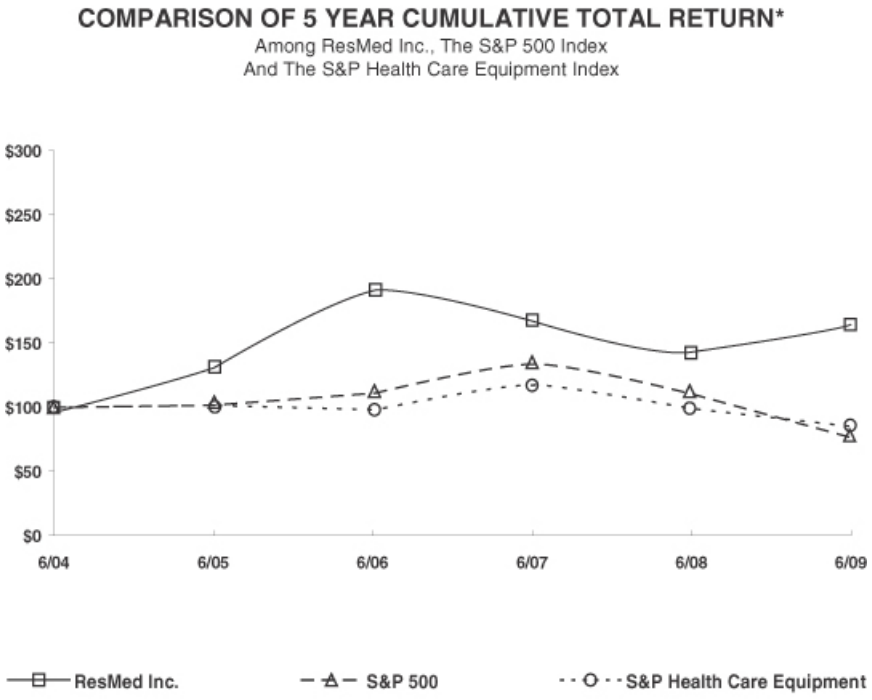
ITEM 6 SELECTED FINANCIAL DATA

The following table summarizes certain selected consolidated financial data for, and as of the end of, each of the fiscal years in the five-year period ended June 30, 2009. The data set forth below should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements and related Notes included elsewhere in this Report. The consolidated statements of operations data for the years ended June 30, 2009, 2008 and 2007 and the balance sheet data as of June 30, 2009 and 2008 are derived from our audited consolidated financial statements included elsewhere in this Report. The consolidated statements of operations data for the years ended June 30, 2006 and 2005 and the balance sheet data as of June 30, 2007, 2006 and 2005 are derived from our audited consolidated financial statements not included herein. Historical results are not necessarily indicative of the results to be expected in the future, and the results for the years presented should not be considered indicative of our future results of operations.

Consolidated Statement of Income Data: (In thousands, except per share data)	Years Ended June 30 2009	2008	2007	2006	2005
Net revenues	$920,735	$835,397	$716,332	$606,996	$425,505
Cost of sales	366,933	338,544	272,140	230,101	150,645
Product recall expenses	-	3,103	59,700	-	-
Gross profit	553,802	493,750	384,492	376,895	274,860
Selling, general and administrative expenses	289,875	278,087	237,326	200,168	135,703
Research and development expenses	63,056	60,524	50,106	37,216	30,014
Donations to research foundations	3,500	2,000	-	760	500
In-process research and development charge	-	-	-	-	5,268
Amortization of acquired intangible assets	7,060	7,791	6,897	6,327	870
Restructuring expenses	-	2,378	-	1,124	5,152
Total operating expenses	363,491	350,780	294,329	245,595	177,507
Income from operations	190,311	142,970	90,163	131,300	97,353
Other income (expenses):					
Interest income (expense), net	10,205	10,058	6,477	1,320	(808)
Other, net	1,168	4,827	1,333	774	81
Total other income (expenses)	11,373	14,885	7,810	2,094	(727)
Income before income taxes	201,684	157,855	97,973	133,394	96,626
Income taxes	(55,236)	(47,552)	(31,671)	(45,183)	(31,841)
Net income	$146,448	$110,303	$ 66,302	$ 88,211	$ 64,785
Basic earnings per share	$ 1.94	$ 1.43	$ 0.86	$ 1.22	$ 0.94
Diluted earnings per share	$ 1.90	$ 1.40	$ 0.85	$ 1.16	$ 0.91
Weighted average:					
Basic shares outstanding	75,629	77,378	76,709	72,307	68,643
Diluted shares outstanding	77,113	78,712	78,253	77,162	74,942

All share and per share information has been adjusted to reflect the two-for-one stock split effected in the form of a 100% stock dividend that was declared on August 10, 2005 and distributed on September 30, 2005.

Consolidated Balance Sheet Data:	As of June 30				
(In thousands)	2009	2008	2007	2006	2005
Working capital	$ 584,184	$ 546,647	$ 466,396	$ 381,284	$ 141,659
Total assets	1,507,968	1,406,000	1,252,042	1,012,921	774,146
Long-term debt, less current maturities	94,191	93,789	87,648	116,212	58,934
Total stockholders' equity	1,115,192	1,081,775	931,222	738,148	474,065



* $100 invested on 6/30/04 in stock & index-including reinvestment of dividends.
Fiscal year ending June 30.

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

Overview

Management's discussion and analysis ("MD&A") of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of Resmed Inc. MD&A is provided as a supplement to, and should be read in conjunction with selected financial data and consolidated financial statements and notes, included herein.

We are a leading developer, manufacturer and distributor of medical equipment for treating, diagnosing, and managing sleep-disordered breathing ("SDB") and other respiratory disorders. During the fiscal year we continued our efforts to build awareness of the consequences of untreated sleep-disordered breathing and to grow our business in this market. In our efforts we have attempted to raise awareness through market and clinical initiatives highlighting the increasing link between the potential effects SDB can have on cardiovascular diseases and Type 2 diabetes.

In September 2008, the European Society of Cardiologists published guidelines for the treatment of acute and chronic heart failure. The guidelines noted that patients with symptomatic heart failure frequently have sleep-related disorders (central or obstructive sleep apnea) and recommended treatment with Continuous Positive Airway Pressure, or CPAP, for patients diagnosed with obstructive sleep apnea. In June 2008 the International Diabetes Federation issued a consensus statement on sleep disordered breathing and Type 2 Diabetes, where the substantial value of identifying and treating diabetic patients suffering from sleep disordered breathing was recognized and recommended. We believe that the increasing awareness among the co-morbidity specialists supports the efforts and investment we are making in new markets, including diabetes and cardiology.

We are committed to ongoing investment in research and development and product enhancements. During fiscal year 2009 we invested approximately $63.1 million on research and development activities, which represents 7% of revenue. Since the development of CPAP, we have developed a number of innovative products for SDB and other respiratory disorders including airflow generators, diagnostic products, mask systems, headgear and other accessories.

During fiscal year 2009, we released new products across both our mask and flow generator categories. We have introduced new masks in both Europe and the U.S. during fiscal 2009, including the release of Activa LT and Swift LT for Her, which was the first nasal pillows product designed and marketed specifically for female patients. Additionally, we released a series of new bilevel flow generators in Europe and in North and Latin America. These products utilize our patented EasyBreathe motor technology, providing performance at substantially quieter noise levels compared to other leading competitors.

We reported record financial results in fiscal year 2009, with an increase in net revenue of 10% to $920.7 million compared to fiscal year 2008. Gross profit increased for the year ended June 30, 2009 to $553.8 million from $493.7 million for the year ended June 30, 2008, an increase of $60.1 million or 12%. Our net income for the year ended June 30, 2009 was $146.4 million or $1.90 per diluted share compared to net income of $110.3 million or $1.40 per diluted share for the year ended June 30, 2008.

Total operating cash flow for fiscal year 2009 was $238.9 million, which represents a 73% increase from the year ended June 30, 2008. At June 30, 2009, our cash and cash equivalents totaled $415.7 million. Our total assets increased by 7% to $1.5 billion and our shareholders' equity was up 3% to $1.1 billion. During fiscal year 2009, we repurchased 1,826,307 shares at a cost of $65.7 million under our share buy-back program.

Fiscal Year Ended June 30, 2009 Compared to Fiscal Year Ended June 30, 2008

Net Revenues. Net revenue increased for the year ended June 30, 2009 to $920.7 million from $835.4 million for the year ended June 30, 2008, an increase of $85.3 million or 10%. The increase in net revenue was attributable to an increase in unit sales of our flow generators, masks and accessories. Movements in international currencies against the U.S. dollar negatively impacted revenues by approximately $40.3 million for the year ended June 30, 2009. Excluding the impact of unfavorable foreign currency movements, sales for the year ended June 30, 2009 increased by 15% compared to the year ended June 30, 2008.

Net revenue in North and Latin America increased for the year ended June 30, 2009 to $493.4 million from $409.6 million for the year ended June 30, 2008, an increase of $83.8 million or 20%. This growth has been generated by increased public and physician awareness of sleep-disordered breathing and growth generated from our recent product releases including the S8II flow generator, VPAP Auto 25, VPAP S, Swift LT nasal pillows mask and Mirage Quattro full-face mask.

Net revenue in markets outside North and Latin America increased for the year ended June 30, 2009 to $427.3 million from $425.8 million for the year ended June 30, 2008, an increase of $1.5 million or 0.4%. Excluding the impact of unfavorable foreign currency movements, international sales grew by 10%. This sales growth outside North and Latin America predominantly reflects growth in the overall sleep-disordered breathing market, growth generated from our recent product releases including the S8II flow generator, VPAP S, VPAP ST and Mirage Quattro full-face mask offset by the negative impact from movements of international currencies against the U.S. dollar.

Sales of flow generators for the year ended June 30, 2009 totaled $532.1 million from $418.5 million for the year ended June 30, 2008, an increase of 10%, including increases of 21% in North and Latin America and 2% elsewhere. Sales of mask systems, motors and other accessories totaled $388.6 million, an increase of 11%, including increase of 20% in North and Latin America offset by a decrease of 2% elsewhere, for the year ended June 30, 2009, compared to the year ended June 30, 2008. We believe these primarily reflect growth in the overall sleep-disordered breathing market and contributions from new products, partially offset by unfavorable foreign currency movements in sales outside of North and Latin America.

Gross Profit. Gross profit increased for the year ended June 30, 2009 to $553.8 million from $493.8 million for the year ended June 30, 2008, an increase of $60.1 million or 12%. Gross profit as a percentage of net revenue increased for the year ended June 30, 2009 to 60% from 59% for the year ended June 30, 2008. The increase in gross margins is primarily due to the depreciation of the Australian dollar against the U.S. dollar as the majority of our manufacturing labor and overhead is denominated in Australian dollars, a favorable change in product mix as sales of our higher margin products represented a higher proportion of our sales and cost savings attributable to manufacturing and supply chain improvements.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the year ended June 30, 2009 to $289.9 million from $278.1 million for the year ended June 30, 2008, an increase of $11.8 million or 4%. As a percentage of net revenue, selling, general and administrative expenses for the year ended June 30, 2009 was 31% compared to 33% for the year ended June 30, 2008.

The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel to support our growth, stock-based compensation costs and other expenses related to the increase in our sales. The increase in selling, general and administrative expenses was also offset by the net appreciation of the U.S. dollar against international currencies, which reduced by approximately $21.8 million our expenses for the year ended June 30,

2009, as reported in U.S. dollars. As a percentage of net revenue, we expect our future selling, general and administrative expense to continue in the historical range of 31% to 33%.

Research and Development Expenses. Research and development expenses increased for the year ended June 30, 2009 to $63.1 million from $60.5 million for the year ended June 30, 2008, an increase of $2.5 million or 4%. As a percentage of net revenue, research and development expenses were 7% for the year ended June 30, 2009 and are consistent with the year ended June 30, 2008.

The increase in research and development expenses was primarily due to an increase in the number of research and development personnel, increased charges for consulting fees and an increase in clinical trials, including the SERVE-HF study. The increase in research and development expenses was also offset by the net appreciation of the U.S. dollar against international currencies, which reduced our expenses by approximately $11.0 million for the year ended June 30, 2009, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expense to continue at approximately 7%.

Donations to Foundations. In the years ended June 30, 2009 and 2008, we donated $3.5 million and $2.0 million, respectively, to the ResMed Foundations. The Foundations were established primarily to promote research into the deleterious medical consequences of untreated sleep-disordered breathing.

Amortization of Acquired Intangible Assets. Amortization of acquired intangible assets for the year ended June 30, 2009 totaled $7.1 million compared to $7.8 million for the year ended June 30, 2008. The decrease in amortization expense is attributable to the appreciation of the U.S. dollar against the Euro as the majority of the acquired intangible assets are denominated in Euros.

Restructuring Expenses. Restructuring expenses incurred for the year ended June 30, 2009 were $Nil compared to $2.4 million for the year ended June 30, 2008. Restructuring expenses in the prior year consisted of expenses associated with our decision to streamline European management, including the closure of part of the European headquarters in Basel, Switzerland and two regional offices in the Netherlands. The restructuring expenses mainly comprise employee termination costs, leasehold improvement write-downs and property lease exit costs. We will continue to monitor the progress of this restructure and adjust our business strategies and personnel accordingly to achieve maximum efficiencies and cost savings.

Other Income (Expense), Net. Other income, net for the year ended June 30, 2009 was $11.4 million, a decrease of $3.5 million over the year ended June 30, 2008 of $14.9 million. This was predominantly due a $5.9 million gain on the sale of our Poway property, that was reported in year ended June 30, 2008 which was partly offset by a $3.2 million impairment write-down of our at cost-method investments in the same fiscal year.

Income Taxes. Our effective income tax rate decreased to 27.4% for the year ended June 30, 2009 from 30.1% for the year ended June 30, 2008. The lower tax rate was primarily due to a change in the geographic mix of taxable income, including the impact of lower taxes associated with our new Singapore manufacturing operation. We continue to benefit from the Australian corporate tax rate of 30% and certain Australian research and development tax benefits because we generate the majority of our taxable income in Australia.

Net Income. As a result of the factors above, our net income for the year ended June 30, 2009 was $146.4 million or $1.90 per diluted share compared to net income of $110.3 million or $1.40 per diluted share for the year ended June 30, 2008, an increase of 33% and 36%, respectively, over the year ended June 30, 2008.

Fiscal Year Ended June 30, 2008 Compared to Fiscal Year Ended June 30, 2007

Net Revenues. Net revenue increased for the year ended June 30, 2008 to $835.4 million from $716.3 million for the year ended June 30, 2007, an increase of $119.1 million or 17%. The increase in net revenue was attributable to an increase in unit sales of our flow generators, masks and accessories and a strong contribution from our new full face masks. Movements in international currencies against the U.S. dollar positively impacted revenues by approximately $42.7 million for the year ended June 30, 2008. Excluding the impact of favorable foreign currency movements, sales for the year ended June 30, 2008 increased by 11% compared to the year ended June 30, 2007.

Net revenue in North and Latin America increased for the year ended June 30, 2008 to $409.6 million from $376.7 million for the year ended June 30, 2007, an increase of $32.9 million or 9%. This growth has been generated by increased public and physician awareness of sleep-disordered breathing and growth generated from our recent product releases including the S8II flow generator, Swift LT nasal pillows mask and Mirage Quattro full-face mask.

Net revenue in markets outside North and Latin America increased for the year ended June 30, 2008 to $425.8 million from $339.6 million for the year ended June 30, 2007, an increase of 25%. This sales growth outside North and Latin America predominantly reflects growth in the overall sleep-disordered breathing market, growth generated from our recent product releases including the S8II flow generator and Mirage Quattro full-face mask and the positive impact from movements of international currencies against the U.S. dollar. Excluding the positive impact from movements of international currencies, international sales grew by 13%.

Sales of flow generators for the year ended June 30, 2008 totaled $418.5 million, an increase of 13% compared to the year ended June 30, 2007, including increases of 3% in North and Latin America and 20% elsewhere. Sales of mask systems, motors and other accessories totaled $416.9 million, an increase of 21%, including increases of 13% in North and Latin America and 35% elsewhere, for the year ended June 30, 2008, compared to the year ended June 30, 2007. We believe these increases primarily reflect growth in the overall sleep-disordered breathing market and contributions from new products.

Gross Profit. Gross profit increased for the year ended June 30, 2008 to $493.8 million from $384.5 million for the year ended June 30, 2007, an increase of $109.3 million or 28%. Gross profit as a percentage of net revenue increased for the year ended June 30, 2008 to 59% from 54% for the year ended June 30, 2007. The increase in gross margin is primarily due to $59.7 million of voluntary product recall expenses that we recognized during the year ended June 30 2007. During the year ended June 30, 2008 we also recognized an additional charge of $3.1 million in relation to the product recall announced in 2007 due to higher than original estimated return rates and consulting charges. Excluding voluntary product recall expenses, gross profit as a percentage of revenue was 59% for the year ended June 30, 2008, which is lower than the year ended June 30, 2007 of 62%. The lower gross margin (excluding the voluntary product recall expense) is primarily due to a general reduction in average selling prices, appreciation of the Australian dollar against the U.S. dollar, partially offset by manufacturing and supply chain improvements.

Voluntary Product Recall Expenses. On April 23, 2007, we initiated a worldwide voluntary product recall of approximately 300,000 units of our early production S8 flow generators. In these particular units, which were manufactured between July 2004 and May 15, 2006, there was what we considered to be a remote potential for a short circuit in the power supply connector. The initial estimated cost of this recall action was $59.7 million which was recognized as a charge to cost of sales in the condensed consolidated statement of income during the year ended June 30, 2007. During the year ended June 30, 2008 we recognized an additional charge of $3.1 million due to the higher than original estimated return rates and consulting charges. At June 30, 2008 the recall accrual was $1.0 million.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased for the year ended June 30, 2008 to $278.1 million from $237.3 million for the year ended June 30, 2007, an increase of $40.8 million or 17%. As a percentage of net revenue, selling, general and administrative expenses for the year ended June 30, 2008 was 33% and is consistent with the year ended June 30, 2007.

The increase in selling, general and administrative expenses was primarily due to an increase in the number of sales and administrative personnel to support our growth, continued infrastructure investment, particularly in our European businesses, stock-based compensation costs and other expenses related to the increase in our sales. The increase in selling, general and administrative expenses was also attributable to net appreciation of international currencies against the U.S. dollar, which added approximately $18.8 million to our expenses for the year ended June 30, 2008, as reported in U.S. dollars. As a percentage of net revenue, we expect our future selling, general and administrative expense to continue in the historical range of 32% to 34%.

Research and Development Expenses. Research and development expenses increased for the year ended June 30, 2008 to $60.5 million from $50.1 million for the year ended June 30, 2007, an increase of $10.4 million or 21%. As a percentage of net revenue, research and development expenses were 7% for the year ended June 30, 2008 and are consistent with the year ended June 30, 2007.

The increase in research and development expenses was primarily due to an increase in the number of research and development personnel, increased charges for consulting fees and an increase in technical assessments incurred to facilitate development of new products. The increase in research and development expenses was also attributable to the net appreciation of international currencies against the U.S. dollar, which added approximately $7.1 million to our expenses for the year ended June 30, 2007, as reported in U.S. dollars. As a percentage of net revenue, we expect our future research and development expense to continue at approximately 7%.

Donations to Foundations. In the years ended June 30, 2008 and 2007, we donated $2.0 million and $Nil, respectively, to the ResMed Foundation in the United States. The Foundations' overall mission includes the education of both the public and physicians about the inherent dangers of untreated SDB/OSA, particularly as it relates to cerebrovascular and cardiovascular disease.

Amortization of Acquired Intangible Assets. Amortization of acquired intangible assets for the year ended June 30, 2008 totaled $7.8 million compared to $6.9 million for the year ended June 30, 2007. The increase in amortization expense is attributable to the appreciation of the Euro against the U.S. dollar as the majority of the acquired intangible assets are denominated in Euros.

Restructuring Expenses. Restructuring expenses incurred for the year ended June 30, 2008 were $2.4 million compared to $Nil for the year ended June 30, 2007. Restructuring expenses consisted of expenses associated with our decision to streamline European management, including the closure of part of the European headquarters in Basel, Switzerland and two regional offices in the Netherlands. The restructuring expenses mainly comprise employee termination costs, leasehold improvement write-downs and property lease exit costs. We will continue to monitor the progress of this restructure and adjust our business strategies and personnel accordingly to achieve maximum efficiencies and cost savings.

Other Income (Expense), Net. Other income, net for the year ended June 30, 2008 was $14.9 million, an increase of $7.0 million over the year ended June 30, 2007. This was predominantly due to higher interest income on additional cash balances and a $5.9 million gain on the sale of our Poway property. These impacts were partly offset by a $3.2 million impairment write-down of our at cost-method investments.

Income Taxes. Our effective income tax rate decreased to approximately 30.1% for the year ended June 30, 2008 from approximately 32.3% for the year ended June 30, 2007. Our effective income tax rate was impacted by the tax benefit associated with the voluntary product recall expense that was recognized during the years ended June 30, 2008 and 2007. Excluding the impact of voluntary product recall expenses, the effective income tax rate was 30.1% and 31.4% for the years ended June 30, 2008 and 2007, respectively. The reduction in the full year effective tax rate is mainly due to factors such as an increase in the concessional R&D tax claim in Australia and a 10% decrease in the German corporate tax rate. We continue to benefit from the Australian corporate tax rate of 30% and certain Australian research and development tax benefits because we generate the majority of our taxable income in Australia.

Net Income. As a result of the factors above, our net income for the year ended June 30, 2008 was $110.3 million or $1.40 per diluted share compared to net income of $66.3 million or $0.85 per diluted share for the year ended June 30, 2007. The net after tax impact of the voluntary product recall expense of $2.2 million described above resulted in a reduction of diluted earnings per share of $0.03 on an after-tax basis for the year ended June 30, 2008 compared to $41.8 million or $0.53 diluted earnings per share for the year ended June 30, 2007. Excluding the impact of the voluntary product recall expenses, diluted earnings per share for the year ended June 30, 2008 was $1.43, an increase of 4% over the year ended June 30, 2007 of $1.38.

Liquidity and Capital Resources

As of June 30, 2009 and June 30, 2008, we had cash and cash equivalents of $415.7 million and $321.1 million, respectively. Working capital was $584.2 million and $546.6 million at June 30, 2009 and June 30, 2008, respectively. The increase in working capital predominantly reflects the growth and profitability of the business during the year.

Inventories at June 30, 2009 decreased by $0.9 million or 1% to $157.4 million compared to June 30, 2008 inventories of $158.3 million. The decrease in inventories was lower than the increase of 10% in net revenues in the year ended June 30, 2009 compared to the year ended June 30, 2008 due to improved inventory management.

Accounts receivable at June 30, 2009 were $212.1 million, an increase of $19.9 million or 10% over the June 30, 2008 accounts receivable balance of $192.2 million. The increase was consistent with the 10% incremental increase in net revenues for the year ended June 30, 2009 compared to the year ended June 30, 2008. Accounts receivable days sales outstanding of 74 days at June 30, 2009 increased by 2 days compared to 72 days at June 30, 2008. Our allowance for doubtful accounts as a percentage of total accounts receivable at June 30, 2009 and 2008 was 3.4% and 2.5%, respectively. The credit quality of our customers remains broadly consistent with our past experience.

During the year ended June 30, 2009, we generated cash of $238.9 million from operations. Movements in foreign currency exchange rates during the year ended June 30, 2009 had the effect of decreasing our cash and cash equivalents by $36.9 million, as reported in U.S. dollars. During fiscal years 2009 and 2008, we repurchased 1,826,307 and 2,570,700 shares at a cost of $65.7 million and $99.5 million, respectively.

Capital expenditures for the years ended June 30, 2009 and 2008 aggregated $109.7 million and $75.8 million, respectively. The capital expenditures for the year ended June 30, 2009 primarily reflected construction costs related to our new corporate headquarters in San Diego, California, office facilities, computer hardware and software, rental and loan equipment and purchase of production tooling equipment and machinery. As a result of these capital expenditures, our balance sheet reflects net property, plant and equipment of approximately $377.6 million at June 30, 2009 compared to $357.1 million at June 30, 2008. During the year ended June 30, 2009 we completed construction of new

corporate headquarters in San Diego, California. The total cost of the new corporate headquarters was $99.9 million.

Details of contractual obligations at June 30, 2009 are as follows:

		Payments Due by Period					
In $000's	Total	2010	2011	2012	2013	2014	Thereafter
Long-Term Debt	$ 161,736	$ 67,545	$ 94,191	$ -	$ -	$ -	$ -
Operating Leases	38,886	12,538	9,970	5,174	2,658	2,079	6,467
Purchase Obligations	88,968	88,926	22	20	-	-	-
Total Contractual Obligations	$ 289,590	$ 169,009	$ 104,183	$ 5,194	$ 2,658	$ 2,079	$ 6,467

Details of other commercial commitments at June 30, 2009 are as follows:

		Amount of Commitment Expiration Per Period					
In $000's	Total Amounts Committed	2010	2011	2012	2013	2014	Thereafter
Standby Letters of Credit	$ 900	$ 900	$ -	$ -	$ -	$ -	$ -
Other commercial commitments	567	98	48	-	-	-	421
Guarantees*	92,735	1,335	64,851	22,761	-	-	3,788
Total Commercial Commitments	$ 94,202	$ 2,333	$ 64,899	$ 22,761	$ -	$ -	$ 4,209

*The above guarantees mainly relate to security provided as part of our Syndicated Facility Agreement and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

Revolving Facility

On February 27, 2009, ResMed Inc., and our wholly-owned subsidiaries, ResMed Corp., ResMed EAP Holdings Inc. and ResMed Motor Technologies Inc., entered into a Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement with Union Bank of California, N.A.

The loan agreement was amended in order that the revolving commitment at $65 million remain unchanged as otherwise it would have been reduced to $55 million as of March 1, 2009. The loan agreement was also amended to revise our obligation to maintain certain financial covenants. The minimum fixed charge coverage ratio was revised to exclude capital expenditures related to construction of our new headquarters building. The requirement that ResMed Corp. and ResMed Motor Technologies Inc. maintain minimum earnings before interest, taxes, depreciation and amortization, or EBITDA, was increased to $15 million. Finally, the requirement that we meet certain minimum liquidity was eliminated.

The entire outstanding principal amount must be repaid in full before March 1, 2011. The outstanding principal amount due under the loan will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At June 30, 2009, there was $64.1 million outstanding under this loan facility.

Syndicated Facility

On June 8, 2006, our wholly owned Australian subsidiary, ResMed Limited, entered into a Syndicated Facility Agreement with HSBC Bank Australia Limited as original financier, facility agent and security trustee, that provides for a loan in three tranches (the "Syndicated Facility Agreement").

Tranche A is a Euro ("EUR") 50 million five-year term loan facility that refinanced all amounts outstanding under a syndicated facility agreement dated May 16, 2005, between ResMed Limited and HSBC Bank Australia Limited, to fund the obligations of our wholly owned French subsidiary ResMed SAS under its agreement to acquire Saime SAS. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the "ResMed Group") for the most recently completed fiscal year for the applicable interest period. Payments of principal must be made to reduce the total outstanding principal amount of Tranche A to EUR 27.5 million on June 30, 2009, EUR 15 million on December 31, 2009, and the entire outstanding principal amount must be repaid in full on June 8, 2011. At June 30, 2009, the Tranche A facility loan had an amount outstanding of EUR 27.5 million, equivalent to approximately U.S. dollars ("USD") 38.6 million.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD or British Pounds Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At June 30, 2009, there was USD 9.0 million outstanding under this loan facility.

Tranche C was a USD 60 million term loan facility that could only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which would ultimately be paid to ResMed Inc. Tranche C beared interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount had to be repaid in full by June 8, 2009. At June 30, 2009, there were no amounts outstanding under this loan facility.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility for a total commitment of up to 3 million British Pounds Sterling. At June 30, 2009, there were no amounts outstanding under any of these arrangements.

On September 30, 2008, our wholly-owned Australian subsidiary, ResMed Limited, agreed to amend and restate the Syndicated Facility Agreement entered into on June 8, 2006. The amended and restated agreement ("First Amended and Restated Syndicated Facility Agreement") with the Hong Kong and Shanghai Banking Corporation, Sydney Branch as financier and HSBC Bank Australia Limited as facility agent and security trustee, provides for an additional Tranche D term loan facility in the amount of USD 50 million. The financier has the right to assign part or all of its rights and/or obligations under the First Amended and Restated Syndicated Facility Agreement to other financial institutions.

The additional USD 50 million loan facility will be used for general corporate purposes. The additional loan facility bears interest at a rate equal to LIBOR for deposits denominated in USD, plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and subsidiaries for the most recently completed fiscal year for the applicable interest period. The entire principal amount of the additional loan facility must be repaid in full by September 30, 2009. At June 30, 2009, there was USD 50.0 million outstanding under this loan facility.

We expect to satisfy all of our short-term liquidity requirements through a combination of cash on hand, cash generated from operations and our $6.9 million in undrawn facilities.

The results of our international operations are affected by changes in exchange rates between currencies. Changes in exchange rates may negatively affect our consolidated net revenue and gross profit margins from international operations. We are exposed to the risk that the dollar value equivalent of anticipated cash flows would be adversely affected by changes in foreign currency exchange rates. We manage this risk through foreign currency option contracts.

Stock-Based Compensation Costs

We have granted stock options to personnel, including officers and directors, under our 2006 Incentive Award Plan, as amended (the "2006 Plan"). These options have expiration dates of seven years from the date of grant and vest over four years. We granted these options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers and directors, the right to purchase shares of our common stock at a discount under our employee stock purchase plan ("ESPP").

As of July 1, 2005, we adopted SFAS 123(R) using the modified prospective method, which requires measurement of compensation expense of all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Under this method, the provisions of SFAS 123(R) apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS No. 123 shall be recognized in net income in the periods after adoption. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the graded-attribution method for stock-based awards granted prior to July 1, 2005 and the straight-line method for stock-based awards granted after July 1, 2005.

The fair value of stock options granted under our stock option plans and purchase rights granted under our ESPP is estimated on the date of the grant using the Black-Scholes option-pricing model, assuming no dividends and the following assumptions:

	Years ended June 30		
	2009	2008	2007
Stock Options:			
Weighted average grant date fair value	$ 10.58	$ 12.87	$ 14.53
Weighted average risk-free interest rate	1.9%	2.6-4.6%	4.3-5.1%
Dividend yield	-	-	-
Expected option life in years	4.0-4.8	4.0-4.8	4.0-5.2
Volatility	27-38%	27-28%	26-30%
ESPP Purchase rights:			
Weighted average risk-free interest rate	1.3%	1.7-5.0%	4.9-5.1%
Dividend yield	-	-	-
Expected option life	6 months	6 months	6 months
Volatility	33-55%	23-33%	30-41%

Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from tradeable options of our stock corresponding to their expected term. We use a combination of the historic and implied volatilities as the additional use of the implied volatilities are more representative of our future stock price trends. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Tax Expense

Our income tax rate is governed by the laws of the regions in which our income is recognized. To date, a substantial portion of our income has been subject to income tax in Australia where the statutory rate was 30% in fiscal years 2009, 2008 and 2007. During fiscal years 2009, 2008 and 2007, our consolidated effective tax rate has fluctuated between approximately 27% and approximately 32%. These fluctuations have resulted from, and future effective tax rates will depend upon, numerous factors, including the amount of research and development expenditures for which a 125% Australian tax deduction is available, the geographic mix of taxable income and other tax credits or benefits available to us under applicable tax laws.

We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Critical Accounting Principles and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and judgments that affect our reported amounts of assets and liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. On an ongoing basis we evaluate our estimates, including those related to allowance for doubtful accounts, inventory reserves, warranty obligations, goodwill, impaired assets, intangible assets, income taxes, deferred tax valuation allowances, contingencies and stock-based compensation costs.

We state these accounting policies in the notes to the financial statements and at relevant sections in this discussion and analysis. The estimates are based on the information that is currently available to us and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

We believe that the following critical accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements:

(1) Allowance for Doubtful Accounts. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments, which results in bad debt expense. We determine the adequacy of this allowance by continually evaluating individual customer receivables, considering a customer's financial condition, credit history and current economic conditions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(2) Inventory Adjustments. Inventories are stated at lower of cost or market and are determined by the first-in, first-out method. We review the components of inventory on a regular basis for excess, obsolete and impaired inventory based on estimated future usage and sales. The likelihood of any material inventory write-downs is dependent on changes in competitive conditions, new product introductions by us or our competitors, or rapid changes in customer demand.

(3) Valuation of Goodwill, Intangible and Other Long-Lived Assets. We use assumptions in establishing the carrying value, fair value and estimated lives of our goodwill, intangibles and other long-lived assets. The criteria used for these evaluations include management's estimate of the asset's continuing ability to generate positive income from operations and positive cash flow in future periods compared to the carrying value of the asset, as well as the strategic significance of any

identifiable intangible asset in our business objectives. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value of the assets exceeds the fair value of the assets. Useful lives and related amortization or depreciation expense are based on our estimate of the period that the assets will generate revenues or otherwise be used by us. Factors that would influence the likelihood of a material change in our reported results include significant changes in the asset's ability to generate positive cash flow, loss of legal ownership or title to the asset, a significant decline in the economic and competitive environment on which the asset depends, significant changes in our strategic business objectives, utilization of the asset, and a significant change in the economic and/or political conditions in certain countries.

(4) Valuation of Deferred Income Taxes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The likelihood of a material change in our expected realization of these assets is dependent on future taxable income, our ability to deduct tax loss carryforwards against future taxable income, the effectiveness of our tax planning and strategies among the various tax jurisdictions that we operate in, and any significant changes in the tax treatment received on our business combinations.

(5) Provision for Warranty. We provide for the estimated cost of product warranties at the time the related revenue is recognized. The amount of this provision is determined by using a financial model, which takes into consideration actual, historical expenses and potential risks associated with our different products. This financial model is then used to calculate the future probable expenses related to warranty and the required level of the warranty provision. Although we engage in product improvement programs and processes, our warranty obligation is affected by product failure rates and costs incurred to correct those product failures. Should actual product failure rates or estimated costs to repair those product failures differ from our estimates, revisions to our estimated warranty provision would be required.

(6) Revenue Recognition. Revenue on product sales is recorded at the time of shipment, at which time title transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing and distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All freight-related expenses are charged to cost of sales.

We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products or similarly offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. In our domestic sales activities we use a number of Manufacturer representatives to sell our products. These representatives are paid a direct commission on sales and act as an integral component of our domestic sales force. We do not sell our products to these representatives, and do not recognize revenue on such shipments. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

(7) Stock-Based Compensation. In accordance with SFAS No.123(R), we measure the compensation of all stock-based awards at fair value on date of grant. Such value is recognized as compensation expense over the service period, net of estimated forfeitures. We estimate the fair value

of employee stock options using a Black-Scholes valuation model. The fair value of an award is affected by our stock price on the date of grant as well as other assumptions including the estimated volatility of our stock price over the term of the awards and the estimated period of time that we expect employees to hold their stock options. The risk-free interest rate assumption we use is based upon U.S. Treasury yield curve appropriate for the expected life of the awards. Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from tradeable options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as the addition of the implied volatility is more representative of our future stock price trends. In order to determine the estimated period of time that we expect employees to hold their stock options, we have used historical rates by employee groups. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results differ from our estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. The aforementioned inputs entered into the option valuation model we use to fair value our stock awards are subjective estimates and changes to these estimates will cause the fair value of our stock awards and related stock-based compensation expense we record to vary.

(8) Income Tax. We have adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48 “Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109” (“FIN 48”) on July 1, 2007. In accordance with FIN 48 we assess our income tax positions and record tax benefits for all years subject to examination based upon management’s evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more likely than not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50 percent likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more likely than not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements

Recently Issued Accounting Pronouncements

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events” (“SFAS No. 165”). SFAS No. 165 provides rules on recognition and disclosure for events and transactions occurring after the balance sheet date but before the financial statements are issued or available to be issued. In addition, SFAS No. 165 requires a reporting entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements are issued or the date the financial statements are available to be issued. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. We have adopted SFAS No. 165 and have included the required additional disclosures.

In March 2008, the FASB issued SFAS No. 161, “Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement 133” (“SFAS No. 161”). SFAS No. 161 requires disclosure of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity’s financial position, financial performance and cashflows. SFAS No. 161 is effective for fiscal years and interim periods within those years, beginning after November 15, 2008. We do not believe the adoption of this standard will have a material impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), “Business Combinations” (“SFAS No. 141(R)”). Under the requirements of SFAS No. 141(R), the acquiring entity will be required to recognise all assets and liabilities acquired in a transaction at their acquisition date fair value. SFAS No. 141(R) will also change the accounting treatment for specific transactions such as the recognition of contingent liabilities, the recognition of capitalized in-process research and development, restructuring costs, the treatment of acquisition related transaction costs and changes in the income

tax valuation allowances. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after July 1, 2009, with early adoption prohibited. The impact on our consolidated financial statements of SFAS No. 141(R), will depend on whether we engage in such activity, and also upon the nature, terms and size of the acquisitions we may consummate after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements – An amendment of ARB No.51" ("SFAS No. 160"). SFAS No. 160 outlines the accounting and reporting requirements for non-controlling interests in consolidated financial statements such as recognizing non-controlling interests as a component of consolidated stockholder's equity separate from the parent equity and net income attributable to non-controlling interests be identified and shown separately on the face of the consolidated income statement. SFAS No. 160 also revises the accounting for increases and decreases in a parent's controlling interest. SFAS No. 160 is effective for fiscal years and interim periods within those years, beginning after December 15, 2008, with early adoption prohibited. We do not believe the adoption of this standard will have a material impact on our financial statements.

In June 2007, the FASB ratified EITF No. 07-3, "Accounting for Nonrefundable Advanced Payments for Goods or Services received for Use in Future Research and Development Activities" ("EITF No. 07-3"). EITF No. 07-3 requires that non-refundable advance payments for goods and services that will be used or rendered for future research and development activities should be deferred and capitalized. These amounts should be expensed as the related goods are delivered or the related services are performed. EITF No. 07-3 is effective for fiscal years beginning after December 15, 2007. We have adopted this standard and it did not have a material impact on our financial statements.

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which allows entities to account for most financial instruments at fair value rather than under other applicable generally accepted accounting principles (GAAP), such as historical cost. The accounting results in the instrument being marked to fair value every reporting period with the gain or loss from a change in fair value recorded in the income statement. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Based upon our analysis and implementation of SFAS 159 as it relates to our balance sheet accounts, we did not elect the fair value option permitted in SFAS 159 for any of our eligible financial assets or liabilities. Therefore, SFAS 159 did not have any impact on our financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We have adopted this standard on July 1, 2008 and all related staff positions. The adoption did not have a material impact on our financial statements.

Off-Balance Sheet Arrangements

As of June 30, 2009, we are not involved in any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K promulgated by the SEC.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET AND BUSINESS RISKS

Foreign Currency Market Risk

Our reporting currency is the U.S. dollar, although the financial statements of our non-U.S. subsidiaries are maintained in their respective local currencies. We transact business in various

foreign currencies, including a number of major European currencies as well as the Australian dollar. We have significant foreign currency exposure through both our Australian manufacturing activities and international sales operations.

We have established a foreign currency hedging program using purchased currency options to hedge foreign-currency-denominated financial assets, liabilities and manufacturing expenditures. The goal of this hedging program is to economically guarantee or lock-in the exchange rates on our foreign currency exposures denominated in Euro's and the Australian dollar. Under this program, increases or decreases in our foreign-currency-denominated financial assets, liabilities, and firm commitments are partially offset by gains and losses on the hedging instruments. We have determined our hedge program to be a non-effective hedge as defined under SFAS No. 133. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities. All movements in the fair value of the foreign currency derivatives are recorded within other income, net on our consolidated statements of income.

The table below provides information about our foreign currency derivative financial instruments and presents the information in U.S. dollar equivalents. The table summarizes information on instruments and transactions that are sensitive to foreign currency exchange rates, including foreign currency call options held at June 30, 2009. The table presents the notional amounts and weighted average exchange rates by contractual maturity dates for our foreign currency derivative financial instruments. These notional amounts generally are used to calculate payments to be exchanged under the options contracts.

(In thousands except exchange rates)	FY 2010	FY 2011	Total	Fair Value Assets / (Liabilities) As of June 30 2009	2008
Foreign Exchange Call Options					
(Receive AUD$/Pay U.S.$)					
Option amount	$80,000	$47,500	$127,500	$5,903	$4,493
Average contractual exchange rate	AUD $ 1 = USD 0.8236	AUD $1 = USD 0.7986	AUD $ 1 = USD 0.8141		
(Receive AUD$/Pay GBP$)					
Option amount	$2,469	$-	$2,469	$18	$381
Average contractual exchange rate	AUD $ 1 = GBP 0.5120	AUD $1 = GBP $-	AUD $ 1 = GBP 0.5120		
(Receive AUD$/Pay Euro)					
Option amount	$33,686	$28,072	$61,758	$1,894	$143
Average contractual exchange rate	AUD $1 = Euro 0.5739	AUD $1 = Euro 0.5479	AUD $1 = Euro 0.5618		

The table below provides information (in U.S. dollars) on our foreign-currency-denominated financial assets by legal entity functional currency as of June 30, 2009 (in thousands):

	Australian Dollar (AUD)	US Dollar (USD)	Euro (EUR)	Great Britain Pound (GBP)	Canadian Dollar (CAD)	Singapore Dollar (SGD)	New Zealand Dollar (NZD)	Swedish Krona (SEK)	Swiss Franc (CHF)	Norwegian Kroner (NOK)
AUD Functional Currency Entities:										
Assets	$ -	$ 93,825	$ 74,702	$ 4,623	-	$ 495	$ 424	$ 1,092	$ 133	$ (263)
Liability	-	(78,413)	(46,466)	(164)	-	(2)	(186)	(71)	(19)	(61)
Net Total	-	15,412	28,236	4,459	-	493	238	1,021	114	(324)
USD Functional Currency Entities:										
Assets	-	-	-	-	6,074	-	-	-	-	-
Liability	-	-	-	-	-	-	-	-	-	-
Net Total	-	-	-	-	6,074	-	-	-	-	-
EURO Functional Currency Entities:										
Assets	-	1	-	-	-	-	-	-	-	-
Liability	-	(89)	-	(1,597)	-	-	-	-	(633)	(13)
Net Total	-	(88)	-	(1,597)	-	-	-	-	(633)	(13)
GBP Functional Currency Entities:										
Assets	-	571	11,262	-	-	-	-	-	-	-
Liability	-	-	(10,571)	-	-	-	-	-	(890)	(79)
Net Total	-	571	691	-	-	-	-	-	(890)	(79)
CHF Functional Currency Entities:										
Assets	-	225	-	-	-	-	-	-	-	-
Liability	-	(1)	(56)	(3)	-	-	-	-	-	-
Net Total	-	224	(56)	(3)	-	-	-	-	-	-
SGD Functional Currency Entities:										
Assets	162	8,828	3,774	789	-	-	-	411	167	178
Liability	(1,590)	(15,798)	-	(1)	-	-	-	-	-	-
Net Total	(1,428)	(6,970)	3,774	788	-	-	-	411	167	178
INR Functional Currency Entities:										
Assets	-	-	-	-	-	-	-	-	-	-
Liability	-	(890)	(169)	-	-	-	-	-	-	-
Net Total	-	(890)	(169)	-	-	-	-	-	-	-

Interest Rate Risk

We are exposed to risk associated with changes in interest rates affecting the return on our cash and cash equivalents and debt. At June 30, 2009, we had total long-term debt, including the current portion of those obligations, of $161.7 million. All of this debt is subject to variable interest rates. A hypothetical 10% change in interest rates during the year ended June 30, 2009, would not have a material impact on pretax income. We have no interest rate hedging agreements.

Credit Market Risk

At June 30, 2009, our investment securities of $4.3 million were held in Aaa rated auction securities with various maturities between July 2039 and November 2047. These investments had regular roll-over or auction dates at which time the interest rates were re-set or the investments were redeemed for cash. During the year ended June 30, 2009, there were no auctions with respect to these investments due to the current liquidity issues surrounding the domestic and global capital markets. We continue to earn interest on these investments in accordance with the contract until the next auction occurs. During November 2008, we accepted an offer from UBS Financial Services Inc. ("UBS") that gave us a contractual right to sell our investment securities back to UBS at full par value after June 29, 2010. However, in the event we need to access the funds invested in these auction rate securities prior to June 29, 2010 we may not be able to liquidate these securities at the par value. Therefore given the current market liquidity conditions and our intention to hold these investments until the rights under the UBS offer can be exercised on June 29, 2010 we have reclassified these securities from current to non-current assets. We also believe the current lack of liquidity of these investments is temporary and have therefore recorded the excess of the carrying value of $0.7 million over the fair value to accumulated other comprehensive income within stockholders' equity.

Additionally, based on our ability to access our cash and cash equivalents, expected operating cash flows, and other sources of cash, we do not anticipate the current lack of liquidity on these investments will affect our ability to operate the business in the ordinary course.

ITEM 8 CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated herein by reference to the financial statements set forth in Item 15 of Part IV of this report, "Exhibits and Consolidated Financial Statement Schedules."

a) Index to Consolidated Financial Statements

b) Supplementary Data

Quarterly Financial Information (unaudited)—The quarterly results for the years ended June 30, 2009 and 2008 are summarized below (in thousands, except per share amounts):

2009	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	$ 217,931	$ 222,980	$ 227,865	$ 251,959	$ 920,735
Gross profit	127,127	131,024	138,943	156,708	553,802
Net income/(loss)	28,027	33,853	39,198	45,370	146,448
Basic earnings per share	$ 0.37	$ 0.45	$ 0.52	$ 0.60	$ 1.94
Diluted earnings per share	$ 0.36	$ 0.44	$ 0.51	$ 0.59	$ 1.90

2008	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Net revenues	$ 185,740	$ 202,679	$ 211,827	$ 235,151	$ 835,397
Gross profit	111,777	121,331	126,558	134,084	493,750
Net income/(loss)	24,125	26,861	29,684	29,633	110,303
Basic earnings per share	$ 0.31	$ 0.35	$ 0.38	$ 0.38	$ 1.43
Diluted earnings per share	$ 0.30	$ 0.34	$ 0.38	$ 0.38	$ 1.40

Note: Per share amounts for each quarter are computed independently, and, due to the computation formula, the sum of the four quarters may not equal the year.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2009. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of June 30, 2009.

There has been no change in our internal controls over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

(i) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;

(ii) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

(iii) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2009. Management based this assessment on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of ResMed Inc.'s internal control over financial reporting and testing of the operational effectiveness of its internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on our assessment and those criteria, management has concluded that the Company did maintain effective internal control over financial reporting as of June 30, 2009.

KPMG LLP, independent registered public accounting firm, who audited and reported on the consolidated financial statements of ResMed, Inc. included in this report, has issued an attestation report on the effectiveness of internal control over financial reporting.

RESMED INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
ResMed Inc.:

We have audited ResMed Inc.'s internal control over financial reporting as of June 30, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). ResMed Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, ResMed Inc. maintained, in all material respects, effective internal control over financial reporting as of June 30, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2009, and the related financial statement schedule, and our report dated August 20, 2009 expressed an unqualified opinion on those consolidated financial statements and financial statement schedule.

/s/ KPMG LLP

San Diego, California
August 20, 2009

ITEM 9B OTHER INFORMATION

None.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 18, 2009, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2009.

The Company has filed, as exhibits to this Annual Report on Form 10-K for the year ended June 30, 2009, the certifications of its Chief Executive Officer and Chief Financial Officer required pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

On December 8, 2008 the Company submitted to the New York Stock Exchange the Annual CEO Certification required pursuant to Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

ITEM 11 EXECUTIVE COMPENSATION

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 18, 2009, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2009.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 18, 2009, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2009.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 18, 2009, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2009.

ITEM 14 PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is herein incorporated by reference from our definitive Proxy Statement for our November 18, 2009, Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission within 120 days after June 30, 2009.

PART IV

ITEM 15 EXHIBITS AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this report:

(a) Consolidated Financial Statements and Schedule – The consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the "Index to Consolidated Financial Statements" under Item 8 of this report.

(b) Exhibit Lists

3.1	First Restated Certificate of Incorporation of Registrant, as amended (15)
3.2	Third Restated By-laws of Registrant(12)
3.3	Fourth Amended and Restated Bylaws of ResMed Inc. (17)
4.1	Form of certificate evidencing shares of Common Stock(1)
10.1*	1995 Stock Option Plan (1)
10.2*	1997 Equity Participation Plan(3)
10.3	Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended(1)
10.5	Loan Agreement between the Australian Trade Commission and ResMed Ltd dated May 3, 1994(1)
10.6	Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA(4)
10.7	Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia(5)
10.8*	Employment Agreement dated May 14, 2002, between Servo Magnetics Inc. and Leslie Hoffman(6)
10.9	Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia(6)
10.10*	2003 Employee Stock Purchase Plan (7)
10.11	Loan Agreement between ResMed Limited and HSBC Bank Australia Limited(11)
10.12	Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005 (11)
10.13	First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.14	Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A.(8)
10.15	Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A.(8)
10.16	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.(8)
10.17	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.(8)

10.18	Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (9)
10.19	Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited (10)
10.20	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (10)
10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (10)
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc (10)
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited (10)
10.24*	ResMed Inc. 2006 Incentive Award Plan (16)
10.25*	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan (13)
10.26*	2006 Grant agreement for Board of Directors (13)
10.27*	2006 Grant agreement for Executive Officers (15)
10.28*	2006 Grant agreement for Australian Executive Officers (15)
10.29*	Form of Executive Agreement (14)
10.30	Second Amendment to Second Amended and Restated Revolving Loan Agreement dated January 28, 2008 (18)
10.31	Lease Agreement between ResMed Corp. and Poway Danielson, LP (19)
10.32	First Amended and Restated Syndicated Facility Agreement dated September 30, 2008 (20)
10.33	Amendment and Restatement Agreement, dated as of September 30, 2008, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited (20)
10.34	US Guarantee Consent Deed, dated as of September 17, 2008, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited (20)
10.35	International Guarantee Consent Deed, dated as of September 30,2008, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (20)
10.36*	Amended and Restated 2006 Incentive Award Plan dated November 20, 2008 (21)
10.37	Departure of Directors or Certain Officers dated December 12, 2008 (22)
10.38	Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement (23)
10.39	Approval of new share repurchase program dated May 29, 2009 (24)
10.40	Form of Indemnification Agreements for our directors and officers (25)
10.41	Form of Access Agreement for directors (26)
10.42*	Updated Form of Executive Agreement (9)
21.1	Subsidiaries of the Registrant (9)

23.1	Independent Registered Public Accounting Firm's Consent and Report on Schedule [9]
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 [9]
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002 [9]
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 [9]

* Management contract or compensatory plan or arrangement

[1] Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.

[2] Incorporated by reference to the Registrant's Registration Statement on Form 8-A12G filed on April 25, 1997.

[3] Incorporated by reference to the Registrant's 1997 Proxy Statement.

[4] Incorporated by reference to the Registrant's Report on Form 10-K dated June 30, 1998.

[5] Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2001.

[6] Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2002.

[7] Incorporated by reference to the Registrant's 2007 Definitive Proxy Statement dated October 13, 2007.

[8] Incorporated by reference to the Registrant's Form 8-K dated November 8, 2005.

[9] Filed herewith.

[10] Incorporated by reference to the Registrant's Form 8-K dated June 8, 2006.

[11] Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2005.

[12] Incorporated by reference to the Registrant's Report on Form 8-K dated February 23, 2007.

[13] Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2006.

[14] Incorporated by reference to the Registrant's Report on Form 8-K dated July 9, 2007.

[15] Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2007

[16] Incorporated by reference to the Registrant's Report on Form 8-K dated November 9, 2006.

[17] Incorporated by reference to the Registrant's Report on Form 8-K filed on December 14, 2007

[18] Incorporated by reference to the Registrant's Report on Form 8-K filed on February 6, 2008.

[19] Incorporated by reference to the Registrant's Report on Form 8-K filed on March 27, 2008.

[20] Incorporated by reference to the Registrant's Definitive Proxy Statement filed October 6, 2008.

[21] Incorporated by reference to the Registrant's Definitive Proxy Statement filed October 15, 2008.

[22] Incorporated by reference to the Registrant's Report on Form 8-K filed on December 15, 2008.

[23] Incorporated by reference to the Registrant's Report on Form 8-K filed on March 5, 2009.

[24] Incorporated by reference to the Registrant's Report on Form 8-K filed on June 4, 2009.

[25] Incorporated by reference to the Registrant's Report on Form 8-K filed on June 24, 2009.

RESMED INC. AND SUBSIDIARIES

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
ResMed Inc.:

We have audited the accompanying consolidated balance sheets of ResMed Inc. and subsidiaries as of June 30, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2009. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ResMed Inc. and subsidiaries as of June 30, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended June 30, 2009, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), ResMed Inc.'s internal control over financial reporting as of June 30, 2009, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated August 20, 2009, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

San Diego, California
August 20, 2009

RESMED INC. AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2009 and 2008
(In thousands, except share and per share data)

	June 30, 2009	June 30, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 415,650	$ 321,078
Accounts receivable, net of allowance for doubtful accounts of $7,381 and $4,935 at June 30, 2009 and 2008, respectively	212,096	192,200
Inventories, net (note 5)	157,431	158,251
Deferred income taxes (note 14)	44,368	31,355
Income taxes receivable	2,067	17,115
Prepaid expenses and other current assets	21,672	19,241
Total current assets	853,284	739,240
Non-current assets:		
Property, plant and equipment, net of accumulated depreciation of $208,119 and $208,446 at June 30, 2009 and 2008, respectively (note 7)	377,613	357,057
Goodwill (note 8)	213,169	234,647
Other intangibles, net (note 8)	35,023	46,771
Deferred income taxes (note 14)	19,364	16,162
Other assets	5,261	7,508
Investment Securities (note 4 and 20)	4,254	4,615
Total non-current assets	654,684	666,760
Total assets	$ 1,507,968	$ 1,406,000
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 48,293	$ 56,308
Accrued expenses (notes 9)	67,018	61,338
Deferred revenue	28,881	26,133
Income taxes payable	56,972	3,799
Deferred income taxes (note 14)	391	1,150
Current portion of long-term debt (note 10)	67,545	43,865
Total current liabilities	269,100	192,593
Non-current liabilities:		
Deferred income taxes (note 14)	11,137	18,333
Deferred revenue	15,238	15,673
Long-term debt (note 10)	94,191	93,789
Income taxes payable	3,110	3,837
Total non-current liabilities	123,676	131,632
Total liabilities	392,776	324,225
Commitments and contingencies (notes 17 and 18)	-	-
Stockholders' equity: (note 12)		
Preferred stock, $0.01 par value, 2,000,000 shares authorized; none issued	-	-
Common stock, $0.004 par value, 200,000,000 shares authorized; issued and outstanding 75,251,209 at June 30, 2009 and 75,975,031 at June 30, 2008 (excluding 6,701,925 and 4,875,618 shares held as Treasury stock respectively)	303	304
Additional paid-in capital	522,980	468,346
Retained earnings	694,791	548,343
Treasury stock, at cost	(208,659)	(142,987)
Accumulated other comprehensive income (note 6)	105,777	207,769
Total stockholders' equity	1,115,192	1,081,775
Total liabilities and stockholders' equity	$ 1,507,968	$ 1,406,000

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Income
Years Ended June 30, 2009, 2008 and 2007
(In thousands, except per share data)

	June 30, 2009	June 30, 2008	June 30, 2007
Net revenues	$ 920,735	$ 835,397	$ 716,332
Cost of sales	366,933	338,544	272,140
Voluntary product recall expenses (note 20)	-	3,103	59,700
Gross profit	553,802	493,750	384,492
Operating expenses:			
Selling, general and administrative	289,875	278,087	237,326
Research and development	63,056	60,524	50,106
Donations to research foundations	3,500	2,000	-
Amortization of acquired intangible assets	7,060	7,791	6,897
Restructuring expenses (note 11)	-	2,378	-
Total operating expenses	363,491	350,780	294,329
Income from operations	190,311	142,970	90,163
Other income (expenses):			
Interest income (expense), net	10,205	10,058	6,477
Other, net (note 13)	1,168	4,827	1,333
Total other income (expenses), net	11,373	14,885	7,810
Income before income taxes	201,684	157,855	97,973
Income taxes (note 14)	55,236	47,552	31,671
Net income	$ 146,448	$ 110,303	$ 66,302
Basic earnings per share	$ 1.94	$ 1.43	$ 0.86
Diluted earnings per share (note 2-j)	$ 1.90	$ 1.40	$ 0.85
Basic shares outstanding	75,629	77,378	76,709
Diluted shares outstanding	77,113	78,712	78,253

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity and Comprehensive Income
Years ended June 30, 2009, 2008 and 2007
(In thousands)

	Common Stock			Treasury Stock					
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
Balance, June 30, 2006	78,026	$ 303	$ 353,464	(2,255)	$ (41,405)	$370,652	$ 55,134	$ 738,148	
Common stock issued on exercise of options (note 12)	1,747	7	32,672					32,679	
Common stock issued on employee stock purchase plan (note 12)	148	1	5,388					5,389	
Treasury stock purchases				(50)	(2,092)			(2,092)	
Tax benefit from exercise of options			12,682					12,682	
FAS123(R) stock-based compensation costs			17,495					17,495	
Comprehensive income:									
Net income						66,302		66,302	66,302
Other comprehensive income:									
Foreign currency translation adjustments							60,619	60,619	60,619
Comprehensive income									$ 126,921
Balance, June 30, 2007	79,921	$ 311	$ 421,701	(2,305)	$ (43,497)	$436,954	$ 115,753	$ 931,222	
Common stock issued on exercise of options (note 12)	787	3	16,294					16,297	
Common stock issued on employee stock purchase plan (note 12)	143	1	5,546					5,547	
Treasury stock purchases		(11)		(2,571)	(99,490)			(99,501)	
Tax benefit from exercise of options			4,058					4,058	
FAS123(R) stock-based compensation costs			20,747					20,747	
Comprehensive income:									
Net income						110,303		110,303	110,303
Cumulative adjustment on implementation of FIN 48						1,086		1,086	
Other comprehensive income:									
Foreign currency translation adjustments							92,401	92,401	92,401
Unrealised temporary impairment on available-for-sale securities							(385)	(385)	(385)
Comprehensive income									$ 202,319
Balance, June 30, 2008	80,851	$ 304	$ 468,346	(4,876)	$(142,987)	$548,343	$ 207,769	$1,081,775	
Common stock issued on exercise of options (note 12)	924	4	20,289					20,293	
Common stock issued on employee stock purchase plan (note 12)	178	1	4,733					4,734	
Treasury stock purchases		(6)		(1,826)	(65,672)			(65,678)	
Tax benefit from exercise of options			4,051					4,051	
FAS123(R) stock-based compensation costs			25,561					25,561	
Comprehensive income:									
Net income						146,448		146,448	146,448
Other comprehensive income:									
Foreign currency translation adjustments							(101,631)	(101,631)	(101,631)
Unrealised temporary impairment on available-for-sale securities							(361)	(361)	(361)
Comprehensive income									$ 44,456
Balance, June 30, 2009	81,953	$ 303	$ 522,980	(6,702)	$(208,659)	$694,791	$ 105,777	$1,115,192	

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended June 30, 2009, 2008 and 2007
(In thousands)

	June 30, 2009	June 30, 2008	June 30, 2007
Cash flows from operating activities:			
Net income	$ 146,448	$110,303	$ 66,302
Adjustments to reconcile net income to net cash provided by operating activities:			
Voluntary product recall expenses	-	3,103	59,700
Depreciation and amortization	53,405	59,320	47,948
Provision for warranties	2,219	(1,125)	1,542
Deferred income taxes	(26,658)	8,883	(18,900)
Foreign currency options revaluation	16,829	(4,029)	(1,091)
Amortization of deferred borrowing costs	558	165	193
Stock-based compensation costs	25,515	20,741	17,505
Tax benefit from stock options exercised	(3,870)	(3,813)	(12,398)
Gain on sale and leaseback of real property	-	(5,917)	-
Write-down of cost-method investments	1,306	3,250	-
Changes in operating assets and liabilities, net of effect of acquisitions:			
Accounts receivable, net	(32,897)	(16,083)	(25,612)
Inventories, net	(16,141)	9,605	(30,467)
Prepaid expenses and other current assets	20,916	10,642	(12,035)
Accounts payable, accrued expenses, income taxes and other liabilities	51,247	(57,209)	(1,581)
Net cash provided by operating activities	238,877	137,836	91,106
Cash flows from investing activities:			
Purchases of property, plant and equipment	(109,692)	(75,779)	(77,556)
Proceeds from disposal of property, plant and equipment	1,763	24,711	-
Capitalized interest	(1,610)	(1,233)	(412)
Purchases of investment securities	-	(6,500)	(21,950)
Proceeds from sale of maturing investment securities	-	21,450	2,000
Patent registration costs	(4,528)	(5,639)	(3,965)
Proceeds from disposal of business assets and contracts	3,005	2,542	-
Business acquisitions	(2,394)	(856)	(1,912)
Purchases of cost-method investments	(2,267)	-	-
Purchases of foreign currency contracts	(2,439)	(2,049)	(1,622)
Proceeds from exercise of foreign currency contracts	8,863	5,500	-
Net cash used in investing activities	(109,299)	(37,853)	(105,417)
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	24,892	21,627	38,260
Repayment of borrowings	(38,435)	(36,640)	(20,060)
Proceeds from borrowings, net of borrowing costs	80,137	44,000	9,590
Tax benefit from stock option exercises	3,870	3,813	12,398
Purchases of treasury stock	(68,593)	(96,557)	(2,092)
Net cash (used in) provided by financing activities	1,871	(63,757)	38,096
Effect of exchange rate changes on cash	(36,877)	27,060	14,463
Net increase in cash and cash equivalents	94,572	63,286	38,248
Cash and cash equivalents at beginning of the year	321,078	257,792	219,544
Cash and cash equivalents at end of the year	$ 415,650	$321,078	$ 257,792
Supplemental disclosure of cash flow information:			
Income taxes paid, net of refunds	$ 16,926	$ 42,151	$ 65,643
Interest paid, net of capitalized interest	5,016	5,520	5,426
Fair value of assets acquired in acquisitions	$ 698	$ -	$ -
Goodwill on acquisition	1,923	856	1,588
Acquisition costs accrued	(227)	-	324
Cash paid for acquisition, including acquisition costs	$ 2,394	$ 856	$ 1,912

See accompanying notes to consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(1) Organization and Basis of Presentation

ResMed Inc. (referred to herein as "we", "us", "our" or the "Company") is a Delaware corporation formed in March 1994 as a holding company for the ResMed Group. Through our subsidiaries, we design, manufacture and market equipment for the diagnosis and treatment of sleep-disordered breathing and other respiratory disorders, including obstructive sleep apnea. Our manufacturing operations are located in Australia, Singapore, France and the United States. Major distribution and sales sites are located in the United States, Germany, France, the United Kingdom, Switzerland, Australia, Norway and Sweden.

(2) Summary of Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

(b) Revenue Recognition

Revenue on product sales is generally recorded upon shipment, at which time title and risk of loss transfers to the customer. Revenue on product sales which require customer acceptance is not recorded until acceptance is received. Royalty revenue from license agreements is recorded when earned. Service revenue received in advance from service contracts is initially deferred and recognized ratably over the life of the service contract. Revenue received in advance from rental unit contracts is initially deferred and recognized ratably over the life of the rental contract. Revenue from sale of marketing or distribution rights is initially deferred and recognized ratably as revenue over the life of the contract. Freight charges billed to customers are included in revenue. All shipping and handling related expenses are charged to cost of sales. Taxes assessed by government authorities that are imposed on and concurrent with revenue-producing transactions, such as sales and value added taxes, are reported on a net basis (excluded from revenue).

We do not recognize revenues to the extent that we offer a right of return or other recourse with respect to the sale of our products, other than returns for product defects or other warranty claims, nor do we recognize revenues if we offer variable sale prices for subsequent events or activities. However, as part of our sales processes we may provide upfront discounts for large orders, one time special pricing to support new product introductions, sales rebates for centralized purchasing entities or price-breaks for regular order volumes. The costs of all such programs are recorded as an adjustment to revenue. Our products are predominantly therapy-based equipment and require no installation. As such, we have no significant installation obligations.

(c) Cash and Cash Equivalents

Cash equivalents include certificates of deposit and other highly liquid investments and are stated at cost, which approximates market. Investments with original maturities of 360 days or less are considered to be cash equivalents for purposes of the consolidated statements of cash flows.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(d) Inventories

Inventories are stated at the lower of cost, determined principally by the first-in, first-out method, or net realizable value. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. We review and provide for any product obsolescence in our manufacturing and distribution operations with assessments of individual products and components (based on estimated future usage and sales) being performed throughout the year.

(e) Property, Plant and Equipment

Property, plant and equipment, including rental equipment, is recorded at cost. Depreciation expense is computed using the straight–line method over the estimated useful lives of the assets, generally two to ten years except for buildings which are depreciated over an estimated useful life of 40 years and leasehold improvements which are amortized over the lease term. Maintenance and repairs are charged to expense as incurred.

We capitalize interest in connection with the construction of facilities. Actual construction costs incurred relating to facilities under active development qualify for interest capitalization. Interest capitalization ceases when the construction of a facility is complete and available for use. During the years ended June 30, 2009, 2008 and 2007, we capitalized $1.6 million, $1.2 million and $0.4 million, respectively, of interest relating to such construction costs.

(f) Intangible Assets

The registration costs for new patents are capitalized and amortized over the estimated useful life of the patent, generally five years. In the event of a patent being superseded or product retirement, the unamortized costs are written off immediately.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from three to nine years. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. All of our intangible assets are subject to amortization. No impairment of intangible assets has been identified during any of the periods presented.

(g) Goodwill

We conducted our annual review for goodwill impairment during the final quarter of fiscal 2009. In conducting our review of goodwill impairment, we identified reporting units, being components of our operating segment, as each of the entities acquired and giving rise to the goodwill. The fair value for each reporting unit was determined based on estimated discounted cash flows. Our goodwill impairment review involved a two-step process as follows:

Step 1- Compare the fair value for each reporting unit to its carrying value, including goodwill. For each reporting unit where the carrying value, including goodwill, exceeds the reporting unit's fair value, move on to step 2. If a reporting unit's fair value exceeds the carrying value, no further work is performed and no impairment charge is necessary.

Step 2- Allocate the fair value of the reporting unit to its identifiable tangible and non-goodwill intangible assets and liabilities. This will derive an implied fair value for the goodwill. Then, compare the implied fair value of the reporting unit's goodwill with the carrying amount of the reporting unit's goodwill. If the carrying amount of the reporting unit's goodwill is greater than the implied fair value of its goodwill, an impairment loss must be recognized for the excess.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

The results of the review indicated that as part of Step 1 no impaired goodwill exists.

(h) Foreign Currency

The consolidated financial statements of our non–U.S. subsidiaries, whose functional currencies are other than U.S. dollars, are translated into U.S. dollars for financial reporting purposes. Assets and liabilities of non–U.S. subsidiaries whose functional currencies are other than the U.S. dollar are translated at period end exchange rates, and revenue and expense transactions are translated at average exchange rates for the period. Cumulative translation adjustments are recognized as part of comprehensive income, as detailed in Note 6, and are included in accumulated other comprehensive income in the consolidated balance sheets until such time as the subsidiary is sold or substantially or completely liquidated. Gains and losses on transactions denominated in other than the functional currency of the entity are reflected in operations.

(i) Research and Development

All research and development costs are expensed in the period incurred.

(j) Earnings per Share

We calculate earnings per share in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 128, “Earnings per Share” (“SFAS 128”), as amended by SFAS No. 123(R), “Share Based Payments” (“SFAS 123(R)”). SFAS 128 requires the presentation of “basic” earnings per share and “diluted” earnings per share. Basic earnings per share is computed by dividing the net income available to common stockholders by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options.

The weighted average shares used to calculate basic earnings per share were 75,629,000, 77,378,000 and 76,709,000 for the years ended June 30, 2009, 2008 and 2007, respectively. The difference between basic earnings per share and diluted earnings per share is attributable to the impact of outstanding stock options during the periods presented. Stock options had the effect of increasing the number of shares used in the calculation (by application of the treasury stock method) by 1,484,000, 1,334,000 and 1,544,000 for the years ended June 30, 2009, 2008 and 2007, respectively.

Stock options totaling 7,502,000, 4,944,000 and 3,164,000 for the years ended June 30, 2009, 2008 and 2007, respectively, were not included in the computation of diluted earnings per share as the effect of exercising these options would have been anti-dilutive.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

Basic and diluted earnings per share for the years ended June 30, 2009, 2008 and 2007 are calculated as follows (in thousands except per share data):

	2009	2008	2007
Numerator:			
Net income	$ 146,448	$ 110,303	$ 66,302
Net income, used in calculating diluted earnings per share	$ 146,448	$ 110,303	$ 66,302
Denominator:			
Basic weighted-average common shares outstanding	75,629	77,378	76,709
Effect of dilutive securities:			
Stock options	1,484	1,334	1,544
Diluted potential common shares	1,484	1,334	1,544
Diluted weighted average shares	77,113	78,712	78,253
Basic earnings per share	$ 1.94	$ 1.43	$ 0.86
Diluted earnings per share	$ 1.90	$ 1.40	$ 0.85

(k) Financial Instruments

The carrying value of financial instruments, such as cash and cash equivalents, accounts receivable and accounts payable, approximate their fair value because of their short-term nature. The carrying value of long-term debt approximates the fair value as the principal amounts outstanding are subject to variable interest rates that are based on market rates which are regularly reset. Foreign currency option contracts are marked to market and therefore reflect their fair value. We do not hold or issue financial instruments for trading purposes.

The fair value of financial instruments is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties.

(l) Foreign Exchange Risk Management

We enter into various types of foreign exchange contracts in managing our foreign exchange risk, including derivative financial instruments encompassing forward exchange contracts and foreign currency options.

The purpose of our foreign currency hedging activities is to protect us from adverse exchange rate fluctuations with respect to net cash movements resulting from the sales of products to foreign customers and Australian manufacturing activities. We enter into foreign currency option contracts to hedge anticipated sales and manufacturing costs, principally denominated in Australian dollars and Euros. The terms of such foreign currency option contracts generally do not exceed three years.

Our foreign currency derivatives portfolio represents a cash flow hedge program against the net cash flow of our international manufacturing operations. We have determined our hedge program to be a non-effective hedge as defined under SFAS 133. The foreign currency derivatives portfolio is recorded in the consolidated balance sheets at fair value and included in other assets or other liabilities.

All movements in the fair value of the foreign currency derivatives are recorded within other income, net in our consolidated statements of income.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

We are exposed to credit-related losses in the event of non-performance by counter parties to financial instruments. The credit exposure of foreign exchange options at June 30, 2009 and June 30, 2008 was $7.8 million and $5.0 million, respectively, which represents the positive fair value of options held by us.

We held foreign currency option contracts with notional amounts totaling $191.7 million and $180.6 million at June 30, 2009 and 2008, respectively, to hedge foreign currency items. These contracts mature at various dates before June 2011.

(m) Income Taxes

We account for income taxes under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(n) Investment Securities

Management determines the appropriate classification of our investments in debt and equity securities at the time of purchase and re-evaluates such determination at each balance sheet date. Debt securities for which we do not have the intent or ability to hold to maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value, with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive income.

At June 30, 2009 and 2008, the investments in debt securities were classified on the accompanying consolidated balance sheets as investment securities-available-for-sale.

(o) Warranty

Estimated future warranty costs related to certain products are charged to operations in the period in which the related revenue is recognized. The liability for warranty costs are included in accrued expenses in our consolidated balance sheets.

Changes in the liability for product warranty for the year ended June 30, 2009 are as follows (in thousands):

Balance at July 1, 2008	$ 6,863
Warranty accruals for the year ended June 30, 2009	10,957
Warranty costs incurred for the year ended June 30, 2009	(8,738)
Foreign currency translation adjustments	(787)
Balance at June 30, 2009	$ 8,295

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

(p) Impairment of Long-Lived Assets

We periodically evaluate the carrying value of long-lived assets to be held and used, including certain identifiable intangible assets, when events and circumstances indicate that the carrying amount of an asset may not be recovered. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

(q) Cost-Method Investments

The aggregate carrying amount of our cost-method investments at June 30, 2009 and June 30, 2008 was $2.2 million and $1.4 million, respectively. We review the carrying value of these investments at each balance sheet date. In fiscal 2009 and 2008, we recognized $1.3 million and $3.2 million, respectively, of impairment losses related to our cost-method investments, which include investments in privately held service companies, research companies and public companies. The expense associated with this impairment has been included in the other income (expense) line within the consolidated statements of income. These were based on the determination that the impairments were other-than temporary. We have determined, subsequent to the impairment charge, that the fair value of our remaining investments exceed their carrying values.

(r) Stock-based Employee Compensation

We have granted stock options to personnel, including officers and directors, under our 2006 Incentive Award Plan, as amended (the “2006 Plan”) and the Amended and Restated ResMed Inc. 2006 Incentive Award Plan (the “2006 Amended Plan”). These options have expiration dates of seven years from the date of grant and vest over four years. We granted these options with the exercise price equal to the market value as determined at the date of grant. We have also offered to our personnel, including officers and directors, the right to purchase shares of our common stock at a discount under our employee stock purchase plan (“ESPP”).

In accordance with SFAS 123(R) we use the modified prospective method, which requires measurement of compensation expense of all stock-based awards at fair value on the date of grant and recognition of compensation expense over the service period for awards expected to vest. Under this method, the provisions of SFAS 123(R) apply to all awards granted or modified after the date of adoption. In addition, the unrecognized expense of awards not yet vested at the date of adoption, determined under the original provisions of SFAS No. 123 shall be recognized in net income in the periods after adoption. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, using the graded-attribution method for stock-based awards granted prior to July 1, 2005 and the straight-line method for stock-based awards granted after July 1, 2005.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(2) Summary of Significant Accounting Policies, Continued

The fair value of stock options granted under our stock option plans and purchase rights granted under our ESPP is estimated on the date of the grant using the Black-Scholes valuation model, assuming no dividends and the following assumptions:

	Years ended June 30		
	2009	2008	2007
Stock Options:			
Weighted average grant date fair value	$ 10.58	$ 12.87	$ 14.53
Weighted average risk-free interest rate	1.9%	2.6-4.6%	4.3-5.1%
Dividend yield	-	-	-
Expected option life in years	4.0-4.8	4.0 - 4.8	4.0-5.2
Volatility	27-38%	27-28%	26-30%
ESPP Purchase rights:			
Weighted average risk-free interest rate	1.3%	1.7-5.0%	4.9-5.1%
Dividend yield	-	-	-
Expected option life	6 months	6 months	6 months
Volatility	33-55%	23-33%	30-41%

Expected volatilities are based on a combination of historical volatilities of our stock and the implied volatilities from tradeable options of our stock corresponding to the expected term of the options. We use a combination of the historic and implied volatilities as the addition of the implied volatility is more representative of our future stock price trends. While there is a tradeable market of options on our common stock less emphasis is placed on the implied volatility of these options due to the relative low volumes of these traded options and the difference in the terms compared to our employee options. The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

(s) Reclassifications

Certain prior period amounts have been reclassified to conform with the current period classification.

(3) New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position 157-2, Effective Date of FASB Statement 157 (“FSP 157-2”), which delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those items which are recognized or disclosed at fair value in the financial statements on a recurring basis. In October 2008, the FASB issued FASB Staff Position No. FAS 157-3 “Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active” (“FAS 157-3”), which clarifies the application of SFAS 157 in a market that is not active. FAS 157-3 was effective upon issue, including prior periods for which financial statements have not been issued. We have adopted this standard on July 1, 2008 and all related staff positions. The adoption did not have a material impact on our financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(3) New Accounting Pronouncements, Continued

In February 2007, FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"), which allows entities to account for most financial instruments at fair value rather than under other applicable generally accepted accounting principles (GAAP), such as historical cost. The accounting results in the instrument being marked to fair value every reporting period with the gain or loss from a change in fair value recorded in the income statement. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. Based upon our analysis and implementation of SFAS 159 as it relates to our balance sheet accounts, we did not elect the fair value option permitted in SFAS 159 for any of our eligible financial assets or liabilities. Therefore, SFAS 159 did not have any impact on our financial statements.

In June 2007, the FASB ratified EITF No. 07-3, "Accounting for Nonrefundable Advanced Payments for Goods or Services received for Use in Future Research and Development Activities" ("EITF No. 07-3"). EITF No. 07-3 requires that non-refundable advance payments for goods and services that will be used or rendered for future research and development activities should be deferred and capitalized. These amounts should be expensed as the related goods are delivered or the related services are performed. EITF No. 07-3 is effective for fiscal years beginning after December 15, 2007. We have adopted this standard and it did not have a material impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised), "Business Combinations" ("SFAS No. 141(R)"). Under the requirements of SFAS No. 141(R), the acquiring entity will be required to recognize all assets and liabilities acquired in a transaction at their acquisition date fair value. SFAS No. 141(R) will also change the accounting treatment for specific transactions such as the recognition of contingent liabilities, the recognition of capitalized in-process research and development, restructuring costs, the treatment of acquisition related transaction costs and changes in the income tax valuation allowances. SFAS No. 141(R) is effective for business combinations for which the acquisition date is on or after July 1, 2009, with early adoption prohibited. The impact on our consolidated financial statements of SFAS No. 141(R), will depend on whether we engage in such activity, and also upon the nature, terms and size of the acquisitions we may consummate after the effective date.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements – An amendment of ARB No.51" ("SFAS No. 160"). SFAS No. 160 outlines the accounting and reporting requirements for non-controlling interests in consolidated financial statements such as recognizing non-controlling interests as a component of consolidated stockholder's equity separate from the parent equity and net income attributable to non-controlling interests be identified and shown separately on the face of the consolidated income statement. SFAS No. 160 also revises the accounting for increases and decreases in a parent's controlling interest. SFAS No. 160 is effective for fiscal years and interim periods within those years, beginning after December 15, 2008, with early adoption prohibited. We do not believe the adoption of this standard will have a material impact on our financial statements.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an Amendment of FASB Statement 133" ("SFAS No. 161"). SFAS No. 161 requires disclosure of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods within those years, beginning after November 15, 2008. We do not believe the adoption of this standard will have a material impact on our financial statements.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("SFAS No. 165"). SFAS No. 165 provides rules on recognition and disclosure for events and transactions occurring after the balance sheet date but before the financial statements are issued or available to be issued. In addition, SFAS No. 165

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(3) New Accounting Pronouncements, Continued

requires a reporting entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements are issued or the date the financial statements are available to be issued. SFAS No. 165 is effective for interim and annual periods ending after June 15, 2009. We have adopted SFAS No. 165 and have included the required additional disclosures in Note 21, "Subsequent Events."

(4) Investment Securities

The estimated fair value of investment securities as of June 30, 2009 and June 30, 2008 are $4.3 million and $4.6 million, respectively. These investments are diversified among high credit quality investment grade securities in accordance with our investment policy. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

At June 30, 2009, our investment securities of $4.3 million were held in Aaa rated auction securities with various maturities between July 2039 and November 2047. These investments had regular roll-over or auction dates at which time the interest rates were re-set or the investments were redeemed for cash. During the year ended June 30, 2009, there were no auctions with respect to these investments due to the current liquidity issues surrounding the domestic and global capital markets. We continue to earn interest on these investments in accordance with the contract until the next auction occurs. During November 2008, we accepted an offer from UBS that gave us a right to sell our investment securities back to UBS at full par value after June 29, 2010. However, in the event we need to access the funds invested in these auction rate securities prior to June 29, 2010 we may not be able to liquidate these securities at the par value. Therefore given the current market liquidity conditions and our intention to hold these investments until the rights under the UBS offer can be exercised after June 29, 2010 we have reclassified these securities from current to non-current assets. We also believe the current lack of liquidity of these investments is temporary and have therefore recorded the excess of the carrying value over the fair value to comprehensive income within stockholders' equity. Additionally, based on our ability to access our cash and cash equivalents, expected operating cash flows, and other sources of cash, we do not anticipate the current lack of liquidity on these investments will affect our ability to operate the business in the ordinary course.

(5) Inventories

Inventories, net were comprised of the following as of June 30, 2009 and 2008 (in thousands):

	2009	2008
Raw materials	$ 53,392	$ 58,768
Work in progress	2,500	2,165
Finished goods	101,539	97,318
	$ 157,431	$ 158,251

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(6) Comprehensive Income

The components of comprehensive income, net of tax, were as follows (in thousands):

	2009	2008
Net income	$ 146,448	$110,303
Foreign currency translation (losses)/gains	(101,631)	$ 92,401
Unrealised loss on investment securities	(361)	(385)
Comprehensive income	$ 44,456	$202,319

We do not provide for U.S. income taxes on foreign currency translation adjustments since we do not provide for such taxes on undistributed earnings of foreign subsidiaries.

(7) Property, Plant and Equipment

Property, plant and equipment is comprised of the following as of June 30, 2009 and 2008 (in thousands):

	2009	2008
Machinery and equipment	$ 88,146	$ 83,543
Computer equipment	90,243	85,856
Furniture and fixtures	33,297	36,126
Vehicles	2,661	3,099
Clinical, demonstration and rental equipment	63,227	64,506
Leasehold improvements	19,404	22,609
Land	56,224	63,615
Buildings	232,530	169,076
Construction in progress	-	37,073
	585,732	565,503
Accumulated depreciation and amortization	(208,119)	(208,446)
	$ 377,613	$ 357,057

(8) Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the year ended June 30, 2009, were as follows:

(In thousands)	2009
Balance at July 1, 2008	$234,647
Foreign currency translation adjustments	(22,623)
Business acquisition	1,923
Disposal of business assets and contracts	(778)
Balance at June 30, 2009	$213,169

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(8) Goodwill and Other Intangible Assets, Continued

Patents and other intangibles is comprised of the following as of June 30, 2009 and June 30, 2008:

(In thousands)	June 30, 2009	June 30, 2008
Developed/core product technology	$ 34,388	$ 38,607
Accumulated amortization	(20,215)	(17,181)
Developed/core product technology, net of accumulated amortization	14,173	21,426
Trade names	2,200	2,049
Accumulated amortization	(1,103)	(912)
Trade names, net of accumulated amortization	1,097	1,137
Customer relationships	15,560	19,205
Accumulated amortization	(7,363)	(7,341)
Customer relationships, net of accumulated amortization	8,197	11,864
Patents	31,830	31,626
Accumulated amortization	(20,274)	(19,282)
Patents, net of accumulated amortization	11,556	12,344
Patents and other intangibles, net of accumulated amortization	$ 35,023	$ 46,771

Intangible assets consist of patents, customer relationships, trade names and developed/core product technology and are amortized over the estimated useful life of the assets, generally between three and nine years. There are no expected residual values related to these intangible assets.

Amortization expense related to identifiable intangible assets, including patents, for the year ended June 30, 2009 was $10.7 million. Estimated annual amortization expense for the years ending June 30, 2009 through June 30, 2014, is shown below (in thousands):

Fiscal Year	Amortization expense
2010	$ 11,069
2011	10,464
2012	8,979
2013	2,861
2014	543

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(9) Accrued Expenses

Accrued expenses at June 30, 2009 and 2008 consist of the following (in thousands):

	2009	2008
Product warranties	$ 8,295	$ 6,863
Consulting and professional fees	5,352	3,638
Value added taxes and other taxes due	8,075	7,707
Employee related costs	37,530	32,405
Marketing and promotional programs	2,009	4,160
Customer advance	1,210	1,358
Voluntary product recall (Note 19)	-	1,028
Other	4,547	4,179
	$ 67,018	$ 61,338

(10) Long-term Debt

Long-term debt at June 30, 2009 and 2008 consists of the following (in thousands):

	2009	2008
Long-term loan	$ 67,545	$ 43,775
Capital lease	-	90
Current portion of long-term debt	$ 67,545	$ 43,865
Long-term loan	$ 94,191	$ 93,314
Capital lease	-	475
Non-current portion of long-term debt	$ 94,191	$ 93,789

Revolving Facility

On February 27, 2009, ResMed Inc., and our wholly-owned subsidiaries, ResMed Corp., ResMed EAP Holdings Inc. and ResMed Motor Technologies Inc., entered into a Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement with Union Bank of California, N.A.

The loan agreement was amended in order that the revolving commitment at $65 million remain unchanged as otherwise it would have been reduced to $55 million as of March 1, 2009. The entire outstanding principal amount must be repaid in full before March 1, 2011. The outstanding principal amount due under the loan will bear interest at a rate equal to LIBOR plus 0.75% to 1.00% (depending on the applicable leverage ratio). At June 30, 2009, there was $64.1 million outstanding under this loan facility.

The obligations of ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. under the Loan Agreement are secured by substantially all of the personal property of each of ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc., and are guaranteed by ResMed Inc. under an Amended and Restated Continuing Guaranty and Pledge Agreement, which guaranty is secured by a pledge of the equity interests in ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. held by ResMed Inc. The Loan Agreement also contains customary covenants, including

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

certain financial covenants and an obligation that ResMed Inc. maintain certain financial ratios, including a maximum ratio of total debt to EBITDA (as defined in the Loan Agreement), a fixed charge coverage ratio, a minimum tangible net worth, and a minimum ResMed Corp., ResMed Motor Technologies Inc. and ResMed EAP Holdings Inc. EBITDA.

In the third amendment, the loan agreement was also amended for specific provisions related to these obligations to maintain certain financial covenants. The minimum fixed charge coverage ratio was revised to exclude capital expenditures related to construction of our new headquarters building. The requirement that ResMed Corp. and ResMed Motor Technologies Inc. maintain minimum earnings before interest, taxes, depreciation and amortization, or EBITDA, was increased to $15 million. Finally, the requirement that we meet certain minimum liquidity was eliminated.

The entire principal amount of the revolving loan and any accrued but unpaid interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Loan Agreement. Events of default include, among other items, failure to make payments when due, the occurrence of a material default in the performance of any covenants in the Loan Agreement or related document or a 35% or more change in control of ResMed Inc., ResMed Corp., ResMed Motor Technologies Inc. or ResMed EAP Holdings Inc. At June 30, 2009, we were in compliance with our debt covenants.

Syndicated Facility

On June 8, 2006, our wholly owned Australian subsidiary, ResMed Limited, entered into a Syndicated Facility Agreement with HSBC Bank Australia Limited as original financier, facility agent and security trustee, that provides for a loan in three tranches (the “Syndicated Facility Agreement”).

Tranche A is a Euro (“EUR”) 50 million five-year term loan facility that refinanced all amounts outstanding under a syndicated facility agreement dated May 16, 2005, between ResMed Limited and HSBC Bank Australia Limited, to fund the obligations of our wholly owned French subsidiary ResMed SAS under its agreement to acquire Saime SAS. Tranche A bears interest at a rate equal to LIBOR for deposits denominated in EUR plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and its subsidiaries (the “ResMed Group”) for the most recently completed fiscal year for the applicable interest period.

Payments of principal must be made to reduce the total outstanding principal amount of Tranche A to EUR 27.5 million on June 30, 2009, EUR 15 million on December 31, 2009, and the entire outstanding principal amount must be repaid in full on June 8, 2011. At June 30, 2009, the Tranche A facility loan had an amount outstanding of EUR 27.5 million, equivalent to approximately U.S. dollars (“USD”) 38.6 million.

Tranche B is a USD 15 million term loan facility that may only be used for the purpose of financing capital expenditures and other asset acquisitions by the ResMed Group. Tranche B bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars, USD or British Pounds Sterling plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of the ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire principal amount must be repaid in full on June 8, 2011. At June 30, 2009 there was $9.0 million outstanding under this loan facility.

Tranche C was a USD 60 million term loan facility that could only be used for the purpose of the payment by ResMed Limited of a dividend to ResMed Holdings Limited, which would ultimately be paid to ResMed Inc. Tranche C bears interest at a rate equal to LIBOR for deposits denominated in EUR, Australian dollars or USD plus a margin of 0.70% or 0.80%, depending on the ratio of the total debt to EBITDA of the

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

ResMed Group for the most recently completed fiscal year for the applicable interest period. The entire outstanding principal amount had to be repaid in full by June 8, 2009. At June 30, 2009, there were no amounts outstanding under this loan facility.

Simultaneous with the Syndicated Facility Agreement, ResMed Limited entered into a working capital agreement with HSBC Bank Australia Limited for revolving, letter of credit and overdraft facilities up to a total commitment of 6.5 million Australian dollars, and ResMed (UK) Limited entered into a working capital agreement with HSBC Bank plc for a revolving cash advance facility for a total commitment of up to 3 million British Pounds Sterling. At June 30, 2009, there were no amounts outstanding under any of these arrangements.

First Amended and Restated Syndicated Facility Agreement

On September 30, 2008, our wholly-owned Australian subsidiary, ResMed Limited, agreed to amend and restate the Syndicated Facility Agreement entered into on June 8, 2006. The amended and restated agreement ("First Amended and Restated Syndicated Facility Agreement") with the Hong Kong and Shanghai Banking Corporation, Sydney Branch as financier and HSBC Bank Australia Limited as facility agent and security trustee, provides for an additional Tranche D term loan facility in the amount of USD 50 million. The financier has the right to assign part or all of its rights and/or obligations under the First Amended and Restated Syndicated Facility Agreement to other financial institutions.

The additional USD 50 million loan facility will be used for general corporate purposes. The additional loan facility bears interest at a rate equal to LIBOR for deposits denominated in US dollars, plus a margin of 0.80% or 0.90%, depending on the ratio of the total debt to EBITDA of ResMed Inc. and subsidiaries for the most recently completed fiscal year for the applicable interest period. The entire principal amount of the additional loan facility must be repaid in full by September 30, 2009. At June 30, 2009 there was USD 50.0 million outstanding under this loan facility.

The loan facility is secured by a pledge of one hundred percent of the shares of ResMed Inc.'s subsidiary, Saime SAS, pursuant to a pledge agreement. The Syndicated Facility Agreement also contains customary covenants, including certain financial covenants and an obligation that ResMed Limited maintains certain financial ratios, including a minimum debt service cover ratio, a maximum ratio of total debt to EBITDA and a minimum tangible net worth. The entire principal amount of the loan and any accrued, but unpaid, interest may be declared immediately due and payable in the event of the occurrence of an event of default as defined in the Syndicated Facility Agreement. Events of default include, among other items, failure to make payments when due, breaches of representations, warranties or covenants, the occurrence of certain insolvency events, the occurrence of an event or change which could have a material adverse effect on ResMed Limited and its subsidiaries, and if ResMed Inc. ceases to control ResMed Limited, ResMed Corp., ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited, Take Air Medical Handels-GmbH or Saime SAS.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(10) Long-term Debt, Continued

The obligations of ResMed Limited under the loan facility are subject to two guarantee and indemnity agreements, one on behalf of ResMed Inc. and its U.S. subsidiary, ResMed Corp., and another on behalf of ResMed's international subsidiaries, ResMed SAS (other than Tranche C), ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH. At June 30, 2009, we were in compliance with our debt covenants.

Details of contractual debt maturities at June 30, 2009 are as follows (in thousands):

		Payments Due by Period				
	Total	2010	2011	2012	2013	Thereafter
Long-Term Debt	$ 161,736	$ 67,545	$ 94,191	$ -	$ -	$ -

(11) Restructuring Expenses

Restructuring expenses incurred during the year ended June 30, 2009 were $Nil compared to $2.4 million and $Nil incurred during the years ended June 30, 2008 and June 30, 2007, respectively. Restructuring expenses consisted predominantly of expenses associated with the Company's decision to streamline European management including the closure of part of the European headquarters in Basel, Switzerland and two regional offices in the Netherlands. The restructuring expenses mainly comprises employee termination costs, leasehold improvement write-downs and property lease exit costs. Following is a summary of the restructuring liabilities that were recorded during the years ended June 30, 2007, June 30, 2008 and June 30, 2009 (in thousands):

	Accrued employee costs	Other accrued costs	Total accrued costs
Balance at June 30, 2006	$ 38	$ 100	$ 138
Restructuring expenses	-	-	-
Cash payments	(8)	(87)	(95)
Foreign currency translation	2	3	5
Balance at June 30, 2007	$ 32	$ 16	$ 48
Restructuring expenses	976	1,402	2,378
Cash payments	(915)	(1,386)	(2,301)
Foreign currency translation	4	66	70
Balance at June 30, 2008	$ 97	$ 98	$ 195
Restructuring expenses	-	-	-
Cash payments	(97)	(98)	(195)
Foreign currency translation	-	-	-
Balance at June 30, 2009	$ -	$ -	$ -

(12) Stockholders' Equity

Common Stock. On May 27, 2009, our Board of Directors approved a new share repurchase program, authorizing us to acquire up to an aggregate of 10.0 million shares of ResMed Inc. common stock. The program allows us to repurchase shares of our common stock from time to time for cash in the open market, or in negotiated or block transactions, as market and business conditions warrant.

RESMED INC. AND SUBSIDIARIES
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(12) Stockholders' Equity, Continued

This program cancels and replaces our previous share repurchase program previously authorized on June 6, 2002 for 8.0 million shares. The new program authorizes us to purchase in addition to the shares we repurchased under our previous program. There is no expiration date for this program. All share repurchases after May 29, 2009 will be executed in accordance with this program

During fiscal years 2009 and 2008, the Company repurchased 1,826,307 and 2,570,700 shares at a cost of $65.7 million and $99.5 million, respectively. Of the shares repurchased during fiscal year 2009, 1,747,289 were repurchased under our previous program and 79,018 were repurchased under our new program. As of June 30, 2009, we have repurchased a total of 6.7 million shares at a cost of $208.7 million. Shares that are repurchased are classified as treasury stock pending future use and reduce the number of shares outstanding used in calculating earnings per share.

Preferred Stock. In April 1997, the Board of Directors authorized 2,000,000 shares of $0.01 par value preferred stock. No such shares were issued or outstanding at June 30, 2009.

Stock Purchase Rights. In April 1997, the Company implemented a plan to protect stockholders' rights in the event of a proposed takeover of the Company. Under the plan, each share of the Company's outstanding common stock carries one right to purchase Series A Junior Participating Preferred Stock (the "Right"). The Right enables the holder, under certain circumstances, to purchase common stock of the Company or of the acquiring person at a substantially discounted price ten days after a person or group publicly announces it has acquired or has tendered an offer for 20% or more of the Company's outstanding common stock. The plan and its accompanying Rights expired pursuant to their terms in April 2007 and the Rights are no longer outstanding.

Stock Options. We have granted stock options to personnel, including officers and directors, in accordance with the 2006 Plan and the 2006 Amended Plan, which was approved at the annual meeting of the stockholders of RedMed Inc. on November 20, 2008. These options have expiration dates of seven years from the date of grant and vest over four years. We have granted these options with an exercise price equal to the market value as determined at the date of grant.

The maximum number of shares of our common stock authorized for issuance under the 2006 Amended Plan is 9,900,000, an increase from 7,800,000 shares formerly authorized for issuance under the 2006 Plan. The number of securities remaining available for future issuance under the 2006 Amended Plan at June 30, 2009 is 3,380,475. The number of shares of our common stock available for issuance under the 2006 Amended Plan will be reduced by (i) two and four tenths (2.4) shares, an increase from two and one tenth (2.1) shares, for each one share of common stock delivered in settlement of any "full-value award," which is any award other than a stock option, stock appreciation right or other award for which the holder pays the intrinsic value and (ii) one share for each share of common stock delivered in settlement of all other awards. The maximum number of shares, which may be subject to awards granted under the 2006 Amended Plan to any individual during any calendar year, may not exceed 1,500,000 shares of our common stock, an increase from 1,000,000 shares under the 2006 Plan.

At June 30, 2009, there was $50.0 million in unrecognized compensation costs related to unvested stock options. This is expected to be recognized over a weighted average period of 2.6 years. The aggregate intrinsic value of the options outstanding and the options exercisable at June 30, 2009 was $78.6 million and

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(12) Stockholders' Equity, Continued

$56.3 million, respectively. The aggregate intrinsic value of the options exercised during the years ended June 30, 2009, 2008 and 2007 was $17.8 million, $18.7 million and $48.3 million, respectively. The following table summarizes option activity during the year ended June 30, 2009:

	2009	Weighted Average Exercise Price	2008	Weighted Average Exercise Price	2007	Weighted Average Exercise Price
Outstanding at beginning of year	9,683,816	$ 34.69	8,406,483	$ 31.43	8,102,892	$ 24.26
Granted	2,490,950	31.81	2,469,650	42.34	2,353,650	46.38
Exercised	(923,964)	21.96	(786,523)	20.72	(1,747,330)	18.70
Forfeited	(451,500)	42.09	(405,794)	41.70	(302,729)	31.98
Outstanding at end of year	10,799,302	$ 34.82	9,683,816	$ 34.69	8,406,483	$ 31.43
Exercise price range of granted options	$ 31.04-$43.35		$ 38.63-$51.31		$ 40.25-$52.58	
Options exercisable at end of year	5,453,047	$ 31.61	4,884,485	$ 26.76	4,001,157	$ 21.69

The following table summarizes information about stock options outstanding at June 30, 2009.

Range of Exercise Prices	Number Outstanding at June 30, 2009	Weighted Average Remaining Contractual Life In Years	Number Exercisable at June 30, 2009	Weighted Average Remaining Contractual Life In Years
$ 0 - $10	10,200	0.08	10,200	0.08
$11 - $20	1,173,185	3.21	1,173,185	3.21
$21 - $30	1,479,803	4.04	1,479,803	4.04
$31 - $40	3,929,539	6.33	1,163,814	6.13
$41 - $50	4,191,575	4.93	1,617,670	4.71
$51 - $60	15,000	4.74	8,375	4.65
	10,799,302	5.13	5,453,047	4.50

Employee Stock Purchase Plan ("ESPP"). The ESPP was approved by our shareholders at the Annual General Meeting in November 2003. Under the ESPP, participants are offered the right to purchase shares of our common stock at a discount during successive offering periods. Each offering period under the ESPP will be for a period of time determined by the Board of Directors' Compensation Committee of no less than 3 months and no more than 27 months. The purchase price for our common stock under the ESPP will be the lower of 85% of the fair market value of our common stock on the date of grant or 85% of the fair market value of our common stock on the date of purchase. An individual participant cannot subscribe for more than $25,000 in common stock during any calendar year. On August 21, 2006, the Board of Directors approved a reduction in the number of shares available for grant under the ESPP to 500,000 shares, effective as of November 9, 2006, the date of the shareholder approval of the 2006 Plan. The number of securities remaining available for future issuance under the ESPP at June 30, 2009 is 102,000.

During fiscal year 2009, we issued 178,000 shares to our employees in two offerings and we recognized $2.0 million of stock compensation expense associated with the ESPP.

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(13) Other, net

Other, net in the consolidated statements of income is comprised of the following for the years ended June 30, 2009, 2008 and 2007 (in thousands):

	2009	2008	2007
Gain on foreign currency transactions and hedging	$ 2,388	$ 1,121	$1,203
Gain on sale of real property	-	5,917	-
Gain on sale of plant and equipment	163	365	291
Impairment of cost method investments	(1,306)	(3,250)	-
Gain/(loss) on sale of business assets and contracts	(176)	230	-
Other	99	444	(161)
	$ 1,168	$ 4,827	$1,333

(14) Income Taxes

Income before income taxes for the years ended June 30, 2009, 2008 and 2007, was taxed under the following jurisdictions (in thousands):

	2009	2008	2007
U.S.	$ (13,755)	$ 31,783	$ 21,219
Non-U.S.	215,439	126,072	76,754
	$ 201,684	$ 157,855	$ 97,973

The provision for income taxes is presented below (in thousands):

	2009	2008	2007
Current:			
Federal	$ 4,129	$11,077	$ 5,973
State	1,386	994	984
Non-U.S.	76,379	26,598	43,614
	81,894	38,669	50,571
Deferred:			
Federal	(10,277)	(2,379)	(977)
State	(765)	(143)	(225)
Non-U.S.	(15,616)	11,405	(17,698)
	(26,658)	8,883	(18,900)
Provision for income taxes	$ 55,236	$47,552	$ 31,671

RESMED INC. AND SUBSIDIARIES
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(14) Income Taxes, Continued

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. federal income tax rate of 35% (35% for 2008 and 34% for 2007) to pretax income as a result of the following (in thousands):

	2009	2008	2007
Taxes computed at statutory U.S. rate	$ 70,590	$55,249	$33,311
Increase (decrease) in income taxes resulting from:			
State income taxes, net of U.S. tax benefit	346	1,578	982
Non-deductible expenses	748	910	874
Research and development credit	(4,916)	(5,646)	(4,092)
Tax effect of dividends	55,575	2,346	1,438
Change in valuation allowance	(9,435)	1,474	1,580
Effect of non-U.S. tax rates	(17,559)	(7,493)	(2,425)
Foreign tax credits	(43,271)	(2,230)	(1,907)
Stock-based compensation expense	2,488	627	1,692
Other	670	737	218
	$ 55,236	$47,552	$31,671

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

Deferred tax assets and liabilities are classified as current or non-current according to the classification of the related asset or liability. The components of the Company's deferred tax assets and liabilities at June 30, 2009 and 2008 are as follows (in thousands):

	2009	2008
Deferred tax assets:		
Employee benefit obligations	$ 4,460	$ 4,930
Voluntary product recall accrual	-	397
Inventories	3,857	2,003
Provision for warranties	2,181	1,658
Provision for doubtful debts	1,689	1,041
Net operating loss carryforwards	2,479	3,632
Foreign tax credits	2,355	10,693
Patent costs	1,597	2,626
Capital loss carryover	290	1,061
Intercompany profit in inventories	26,638	23,693
Stock-based compensation expense	17,515	11,985
Unrealized foreign exchange losses	860	-
Property, plant and equipment	1,240	-
Other	3,277	2,994
	68,438	66,713
Less valuation allowance	(4,706)	(14,513)
Deferred tax assets	$ 63,732	$ 52,200
Deferred tax liabilities:		
Unrealized foreign exchange gains	-	(6,319)
Property, plant and equipment	-	(662)
Goodwill and other intangibles	(11,528)	(15,433)
Other	-	(1,752)
Deferred tax liabilities	(11,528)	(24,166)
Net deferred tax asset	$ 52,204	$ 28,034

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

The net deferred tax assets and liabilities have been reported in the consolidated balance sheets at June 30, 2009 and 2008 as follows (in thousands):

	2009	2008
Current deferred tax asset	$ 44,368	$ 31,355
Non-current deferred tax asset	19,364	16,162
Current deferred tax liability	(391)	(1,150)
Non-current deferred tax liability	(11,137)	(18,333)
Net deferred tax asset	$ 52,204	$ 28,034

As of June 30, 2009, the Company had $13,498,000 of non-U.S. net operating loss carryforwards, which expire in various years through 2025 or carry forward indefinitely. The Company also has foreign tax credit carryforwards of $2,355,000. The foreign tax credit carryforwards have expiration dates through 2018.

The valuation allowance at June 30, 2009, relates to a provision for uncertainty as to the utilization of foreign tax credits of $2,355,000, net operating loss carryforwards for certain non-U.S. countries of $1,849,000, capital loss items of $483,000 and other deferred tax assets of $19,000. We believe that it is more likely than not that the benefits of deferred tax assets, net of any valuation allowance, will be realized.

The Company has not provided for U.S. income and foreign withholding taxes on undistributed earnings from non-U.S. subsidiaries indefinitely invested outside the United States as of June 30, 2009. The total amount of these undistributed earnings at June 30, 2009 amounted to approximately $635 million. Should the Company repatriate foreign earnings, the Company would have to adjust the income tax provision in the period management determined that the Company would repatriate earnings.

We follow the principles of FIN No. 48, “Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109” and FSP FIN 48-1, “Definition of Settlement in FASB Interpretation No. 48” (“FIN 48”), which clarify the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, “Accounting for Income Taxes”. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken in a tax return. FIN 48 requires recognition of tax benefits that satisfy a greater than 50% probability threshold and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

A reconciliation of the amount of unrecognized tax benefits from July 1, 2008 to June 30, 2009 is as follows (in thousands):

Gross UTB balance at July 1, 2008	$ 4,108
Additions for tax positions of prior years	1,033
Reductions for tax positions of prior years	(67)
Settlements	-
Reductions due to lapse of applicable statute of limitations	(1,714)
Gross UTB balance at June 30, 2009	$ 3,360

Included in the balance at June 30, 2009, are tax positions of $1.5 million that, if recognized, would affect the Company’s effective tax rate. Also included in the balance is $1.9 million of temporary differences, for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(14) Income Taxes, Continued

deductibility. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

For fiscal year ending June 30, 2009, the Company recognized a benefit of $0.1 million ($0.1 million, net of tax benefit) of interest and penalties related to uncertain tax positions in income tax expense. As of June 30, 2009, the Company has accrued approximately $1.0 million ($0.6 million net of tax benefit) for interest and penalties related to uncertain tax positions.

We file numerous consolidated and separate income tax returns in the U.S. federal jurisdiction and in many state and foreign jurisdictions. We are no longer subject to U.S. federal income tax examination for tax years prior to fiscal year 2005, and no longer subject to state income tax examinations for the tax years prior to fiscal year 2004. With few exceptions, including the German tax assessment discussed in Note 18, we are no longer subject to foreign income tax examinations for fiscal years before 2002.

Within the next 12 months, we anticipate a potential decrease of approximately $1.1 million in the unrecognized tax benefit relating to the timing of certain amortization deductions due to a statute of limitation expiration. This will not have an impact on the effective tax rate other than the potential reduction in accrued interest as any change will be offset by a similar adjustment to our deferred tax balances. We do not anticipate any other significant changes within the next 12 months.

(15) Employee Retirement Plans

The Company contributes to a number of employee retirement plans for the benefit of its employees. Details of the main plans are as follows:

(1) Australia - The Company contributes to defined contribution pension plans for each employee resident in Australia. All Australian employees, after serving a qualifying period, are entitled to benefits on retirement, disability or death. Employees may contribute additional funds to the plans. The Company contributes to the plans at the rate of 9% of the salaries of all Australian employees. Total Company contributions to the plans for the years ended June 30, 2009, 2008 and 2007, were $4,186,000, $5,907,000 and $4,798,000, respectively.

(2) United Kingdom - The Company contributes to a defined contribution plan for each permanent United Kingdom employee. All employees, after serving a three-month qualifying period, are entitled to benefit on retirement, disability or death. Employees may contribute additional funds to the plan. The Company contributes to the plan at the rate of 5% of the salaries of all United Kingdom employees. Total Company contributions to the plan were $164,000, $273,000 and $243,000 in fiscal 2009, 2008 and 2007, respectively.

(3) United States - The Company sponsors a defined contribution pension plan available to substantially all domestic employees. Company contributions to this plan are based on a percentage of employee contributions to a maximum of 3% of the employee's salary. Total Company contributions to the plan were $1,756,000, $1,259,000 and $760,000 in fiscal 2009, 2008 and 2007, respectively.

(4) Switzerland - The Company sponsors a fixed return defined contribution fund for each permanent Swiss employee. As part of the Company's contribution to the fund, the Company guarantees a fixed 3% net return on accumulated contributions per annum. The Company contributes to the plan at variable rates that have averaged 10% of salaries over the last three years. Total Company contributions to the plan were $375,000, $343,000 and $259,000 in fiscal 2009, 2008 and 2007, respectively.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(16) Segment Information

The Company operates solely in the sleep-disordered breathing sector of the respiratory medicine industry. The Company therefore believes that, given the single market focus of its operations and the inter-dependence of its products, the Company operates as a single operating segment. The Company assesses performance and allocates resources on the basis of a single operating entity. Financial information by geographic area for the years ended June 30, 2009, 2008 and 2007, is summarized below (in thousands):

	U.S.A	Germany	Australia	France	Rest of World	Total
2009						
Revenue from external customers	$ 493,402	132,220	21,037	106,343	167,733	$ 920,735
Long lived assets	$ 142,387	20,434	212,343	4,357	7,607	$ 387,128
2008						
Revenue from external customers	$ 409,646	132,218	22,783	100,740	170,010	$ 835,397
Long lived assets	$ 72,970	18,612	248,735	6,516	22,347	$ 369,180
2007						
Revenue from external customers	$ 376,699	107,938	19,846	75,984	135,865	$ 716,332
Long lived assets	$ 60,224	17,813	218,537	8,083	16,027	$ 320,684

Net revenues from external customers are based on the location of the customer. Long-lived assets of geographic areas are those assets used in the Company's operations in each geographical area and excludes intangibles, deferred tax assets and goodwill.

(17) Commitments

The Company leases buildings, motor vehicles and office equipment under operating leases. Several of these leases include options for renewal and in most cases, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Rental charges for operating leases are expensed on a straight-line basis over the lease term taking into account rent concessions or holidays. Rent expenses under operating leases for the years ended June 30 2009, 2008 and 2007 were approximately $14.9 million, $9.1 million and $8.2 million, respectively. At June 30, 2009 the Company had the following future minimum lease payments under non-cancelable operating leases (in thousands):

Years	Operating Leases
2010	$ 12,538
2011	9,970
2012	5,174
2013	2,658
2014	2,079
Thereafter	6,467
Total minimum lease payments	$ 38,886

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(17) Commitments, Continued

Excluding lease commitments details of contractual obligations at June 30, 2009 are as follows (in thousands):

		Payments Due by Period					
In $000's	Total	2010	2011	2012	2013	2014	Thereafter
Long-Term Debt	$ 161,736	$ 67,545	$ 94,191	$ -	$ -	$ -	$ -
Purchase Obligations	$ 88,968	$ 88,926	$ 22	$ 20	$ -	$ -	$ -
Total Contractual Obligations	$ 250,704	$ 156,471	$ 94,213	$ 20	$ -	$ -	$ -

Details of other commercial commitments at June 30, 2009 are as follows:

	Total	Amount of Commitment Expiration Per Period					
In $000's	Amounts Committed	2010	2011	2012	2013	2014	Thereafter
Standby Letters of Credit	$ 900	$ 900	$ -	$ -	$ -	$ -	$ -
Other commercial commitments	$ 567	98	48	-	-	-	421
Guarantees*	$ 92,735	1,335	64,851	22,761	-	-	3,788
Total Commercial Commitments	$ 94,202	$ 2,333	$ 64,899	$ 22,761	$ -	$ -	$ 4,209

* The above guarantees mainly relate to security provided as part of our Syndicated Facility Agreement and requirements under contractual obligations with insurance companies transacting with our German subsidiaries.

(18) Legal Actions and Contingencies

In the normal course of business, we are subject to routine litigation incidental to our business. While the results of this litigation cannot be predicted with certainty, we believe that their final outcome will not have a material adverse effect on our consolidated financial statements taken as a whole.

During September and October 2004, we began receiving tax assessment notices for the audit of one of our German subsidiaries by the German tax authorities for the years 1996 through 1998. Certain aspects of these assessment notices are being contested and appealed to the German tax authority office. As the outcome of the appeal cannot be predicted with certainty, any tax issues resolved in a manner not consistent with our expectations may require us to adjust our provision for income tax in the period of resolution.

In February 2007, the University of Sydney commenced legal action in the Federal Court of Australia against us, claiming breach of a license agreement and infringement of certain intellectual property. The claim has been amended to include an allegation of breach of confidentiality. The university is seeking various types of relief, including an injunction against manufacturing, supplying, offering for sale, selling or exporting certain mask devices, payment of license fees, damages or an account of profits, interest, costs and declaration of a constructive trust over and assignment of certain intellectual property. In October 2007, we filed a defense denying the university's claim, as well as a cross-claim against the university seeking an order for rectification of the contract and alleging the university violated the Australian Trade Practices Act. The matter is ongoing. We have not recognized a liability in relation to this matter at June 30, 2009 and we do not expect the outcome of this matter to have a material adverse effect on our consolidated financial statements.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(19) Voluntary Product Recall Expenses

On April 23, 2007, we initiated a worldwide voluntary recall of approximately 300,000 units of our early production S8 flow generators used for the treatment of obstructive sleep apnea. In S8 devices manufactured between July 2004 and May 15, 2006, there is a remote potential for a short circuit in the power supply connector. The initial estimated cost of this action was $59.7 million which was recognized as a charge to cost of sales in the consolidated statement of income year ended June 30, 2007. During the years ended June 30, 2009 and June 30, 2008 we recognized additional charges of $Nil and $3.1 million, respectively, due to an increase in return rates and consulting charges. These costs represented our best estimate of probable costs based on available data and accounted for factors such as expected return rates for the affected units, unit replacement costs, legal, consulting, logistical and temporary contractor expenses directly associated with the recall. We expect negligible additional costs associated with the recall and at June 30, 2009 there is no remaining recall accrual.

Following is a summary of the liabilities related to the voluntary product recall that were recorded during the year ended June 30, 2009 (in thousands):

	Total accrued costs
Balance at June 30, 2007	$ 45,098
Voluntary product recall expenses	3,103
Cash payments	(48,477)
Foreign currency translation	1,304
Balance at June 30, 2008	$ 1,028
Voluntary product recall expenses	-
Cash payments	(948)
Foreign currency translation	(80)
Balance at June 30, 2009	$ -

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(20) Fair Value Measurements

On July 1, 2008 we adopted the provisions of FASB Statement No. 157, "Fair Value Measurements" ("SFAS 157") for financial assets and liabilities recognized on a recurring basis. In accordance with FASB Staff Position 157-2, Effective date of FASB Statement 157, we have deferred the applications of FAS 157 for our nonfinancial assets and liabilities until fiscal year 2010. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands the disclosure requirements for fair value measurements. The adoption of SFAS 157 for financial assets and liabilities did not have a material impact on our consolidated financial statements.

In determining the fair value measurements of our financial assets and liabilities, we consider the principal and most advantageous market in which we transact and consider assumptions that market participants would use when pricing the financial asset or liability. In accordance with SFAS 157, we maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchies of inputs required by SFAS157 are as follows:

- Level 1: Input prices quoted in an active market for identical financial assets or liabilities;
- Level 2: Inputs other than prices quoted in Level 1, such as prices quoted for similar financial assets and liabilities in active markets, prices for identical assets and liabilities in markets that are not active or other inputs that are observable or can be corroborated by observable market data
- Level 3: Input prices quoted that are significant to the fair value of the financial assets or liabilities which are not observable nor supported by an active market

The following table summarizes our financial assets and liabilities using the valuation input hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 415,650	$ -	$ -	$ 415,650
Investment securities	-	4,254	-	4,254
Cost-method investments	-	-	2,201	2,201
Foreign currency options	-	7,815	-	7,815
	$ 415,650	$ 12,069	$ 2,201	$ 429,920

We determine the fair value of our financial assets as follows:

Cash and cash equivalents - The valuation used for our cash and other money market funds are derived from quoted market prices due to their short term nature and there is an active market for these financial instruments.

Investment securities - These securities represent our auction rate securities as described in Note 3. At June 30, 2009, we had investments totaling $5.0 million at par value with an estimated fair value of $4.3 million. The value of these securities are calculated by third party valuation models based on observable market prices and inputs including future cash flows, yields and spreads.

Cost-method investments - These investments include our holdings in privately held service companies and research companies that are not exchange traded and therefore not supported with observable market prices. However, these investments are valued by reference to their net asset values which can be market supported and observable inputs including future cash flows.

RESMED INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

(20) Fair Value Measurements, Continued

Foreign currency options - These financial instruments are valued using third party valuation models based on market observable inputs, including interest rate curves, on market spot currency prices, volatilities and credit risk.

The following table shows a reconciliation of the year ended June 30, 2009 for fair value measurements using significant unobservable inputs (thousands):

	Cost-Method Investments
Balance at July 1, 2008	$ 1,405
Purchases	2,267
Impairment	(1,306)
Foreign currency translation	(165)
Balance at June 30, 2009	$ 2,201

(21) Subsequent Events

In accordance with SFAS No. 165, we have evaluated any events or transactions occurring after June 30, 2009, the balance sheet date, through August 20, 2009, the date that consolidated financial statements were issued, and noted that there have been no such events or transactions which would impact our consolidated financial statements for the year ended June 30, 2009.

SCHEDULE II

RESMED INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS AND RESERVES
YEARS ENDED JUNE 30, 2009, 2008 AND 2007
(in thousands)

	Balance at Beginning of Period	Charged to costs and expenses	Other (deductions)	Balance at end of period
Year ended June 30, 2009				
Applied against asset account				
Allowance for doubtful accounts	$ 4,935	4,070	(1,624)	$7,381
Year ended June 30, 2008				
Applied against asset account				
Allowance for doubtful accounts	$ 4,704	1,238	(1,007)	$4,935
Year ended June 30, 2007				
Applied against asset account				
Allowance for doubtful accounts	$ 4,645	1,173	(1,114)	$4,704

See accompanying report of independent registered public accounting firm.

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RESMED INC. AND SUBSIDIARIES

SIGNATURES

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

DATED August 18, 2009

ResMed Inc.

/s/ KIERAN T. GALLAHUE
Kieran T. Gallahue
President and Chief Executive Officer

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

SIGNATURE	TITLE	DATE
/S/ KIERAN T. GALLAHUE Kieran T. Gallahue	President and Chief Executive Officer (Principal Executive Officer)	August 18, 2009
/S/ BRETT A. SANDERCOCK Brett A. Sandercock	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	August 18, 2009
/S/ PETER C. FARRELL Peter C. Farrell	Executive Chairman of the Board	August 18, 2009
/S/ CHRISTOPHER G. ROBERTS Christopher G. Roberts	Director	August 18, 2009
/S/ MICHAEL A. QUINN Michael A. Quinn	Director	August 18, 2009
/S/ GARY W. PACE Gary W. Pace	Director	August 18, 2009
/S/ RICHARD SULPIZIO Richard Sulpizio	Director	August 18, 2009
/S/ RON TAYLOR Ron Taylor	Director	August 18, 2009
/S/ JOHN P. WAREHAM John P. Wareham	Director	August 18, 2009

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RESMED INC. AND SUBSIDIARIES
EXHIBIT INDEX

The following documents are filed as part of this report:

(a) Consolidated Financial Statements and Schedules – The index to the consolidated financial statements and schedule of the Company and its consolidated subsidiaries are set forth in the "Index to Consolidated Financial Statements" under Item 8 of this report.

(b) Exhibit Lists

3.1	First Restated Certificate of Incorporation of Registrant, as amended (15)
3.2	Third Restated By-laws of Registrant(12)
3.3	Fourth Amended and Restated Bylaws of ResMed Inc. (17)
4.1	Form of certificate evidencing shares of Common Stock(1)
10.1*	1995 Stock Option Plan(1)
10.2*	1997 Equity Participation Plan(3)
10.3	Licensing Agreement between the University of Sydney and ResMed Ltd dated May 17, 1991, as amended(1)
10.5	Loan Agreement between the Australian Trade Commission and ResMed Ltd dated May 3, 1994(1)
10.6	Lease for 10121 Carroll Canyon Road, San Diego CA 92131-1109, USA(4)
10.7	Sale and Leaseback Agreements for 97 Waterloo Rd, North Ryde, Australia(5)
10.8*	Employment Agreement dated May 14, 2002, between Servo Magnetics Inc. and Leslie Hoffman(6)
10.9	Agreement for the purchase of Lot 6001, Norwest Business Park, Baulkham Hills, Australia(6)
10.10*	2003 Employee Stock Purchase Plan(7)
10.11	Loan Agreement between ResMed Limited and HSBC Bank Australia Limited(11)
10.12	Securities Sale Agreement Financiere Ace S.A.S. dated as of May 4, 2005 (11)
10.13	First Amended and Restated Loan Agreement, dated as of November 1, 2005, by and among ResMed Corp., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (8)
10.14	Security Agreement, dated as of November 1, 2005, by and between ResMed EAP Holdings Inc. and Union Bank of California, N.A.(8)
10.15	Continuing Guaranty, dated as of November 1, 2005, by and between ResMed Corp. and ResMed EAP Holdings Inc and Union Bank of California, N.A.(8)
10.16	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.(8)
10.17	Commercial Promissory Note, dated as of November 1, 2005, made by ResMed Corp. and ResMed EAP Holdings Inc.(8)
10.18	Second Amended and Restated Revolving Loan Agreement, dated as of March 13, 2006, among ResMed Corp., Motor Technologies Inc., ResMed EAP Holdings Inc. and Union Bank of California, N.A. (9)
10.19	Syndicated Facility Agreement, dated as of June 8, 2006, by and between ResMed Limited and HSBC Bank Australia Limited(10)
10.20	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH (10)

10.21	Deed of Guarantee and Indemnity, dated as of June 8, 2006, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited[10]
10.22	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed (UK) Limited and HSBC Bank plc[10]
10.23	Working Capital Agreement, dated as of June 8, 2006, by and among ResMed Limited and HSBC Bank Australia Limited[10]
10.24*	ResMed Inc. 2006 Incentive Award Plan[16]
10.25*	Amendment No. 1 to the ResMed Inc. 2006 Incentive Award Plan[13]
10.26*	2006 Grant agreement for Board of Directors[13]
10.27*	2006 Grant agreement for Executive Officers[15]
10.28*	2006 Grant agreement for Australian Executive Officers[15]
10.29*	Form of Executive Agreement[14]
10.30	Second Amendment to Second Amended and Restated Revolving Loan Agreement dated January 28, 2008[18]
10.31	Lease Agreement between ResMed Corp. and Poway Danielson, LP[19]
10.32	First Amended and Restated Syndicated Facility Agreement dated September 30, 2008[20]
10.33	Amendment and Restatement Agreement, dated as of September 30, 2008, by and between ResMed Limited; The Hong Kong and Shanghai Banking Corporation, Sydney Branch; and HSBC Bank Australia Limited[20]
10.34	US Guarantee Consent Deed, dated as of September 17, 2008, by and among HSBC Bank Australia Limited, ResMed Inc., ResMed Corp. and ResMed Limited[20]
10.35	International Guarantee Consent Deed, dated as of September 30, 2008, by and among HSBC Bank Australia Limited, ResMed Limited, ResMed SAS, ResMed GmbH & Co. KG, ResMed (UK) Limited and Take Air Medical Handels-GmbH[20]
10.36*	Amended and Restated 2006 Incentive Award Plan dated November 20, 2008[21]
10.37	Departure of Directors or Certain Officers dated December 12, 2008[22]
10.38	Third Amendment to the March 1, 2006 Second Amended and Restated Revolving Loan Agreement[23]
10.39	Approval of new share repurchase program dated May 29, 2009[24]
10.40	Form of Indemnification Agreements for our directors and officers[25]
10.41	Form of Access Agreement for directors[26]
10.42*	Updated Form of Executive Agreement[9]
21.1	Subsidiaries of the Registrant[9]
23.1	Independent Registered Public Accounting Firm's Consent and Report on Schedule[9]
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002[9]
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002[9]
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002[9]

* Management contract or compensatory plan or arrangement
(1) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 33-91094) declared effective on June 1, 1995.
(2) Incorporated by reference to the Registrant's Registration Statement on Form 8-A12G filed on April 25, 1997.
(3) Incorporated by reference to the Registrant's 1997 Proxy Statement.
(4) Incorporated by reference to the Registrant's Report on Form 10-K dated June 30, 1998.
(5) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2001.
(6) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2002.
(7) Incorporated by reference to the Registrant's 2003 Definitive Proxy Statement dated October 13, 2007.
(8) Incorporated by reference to the Registrant's Form 8-K dated November 8, 2005.
(9) Filed herewith.
(10) Incorporated by reference to the Registrant's Form 8-K dated June 8, 2006.
(11) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2005.
(12) Incorporated by reference to the Registrant's Report on Form 8-K dated February 23, 2007.
(13) Incorporated by reference to the Registrant's Report on Form 10-Q for the quarter ended December 31, 2006.
(14) Incorporated by reference to the Registrant's Report on Form 8-K dated July 9, 2007.
(15) Incorporated by reference to the Registrant's Report on Form 10-K for the year ended June 30, 2007
(16) Incorporated by reference to the Registrant's Report on Form 8-K dated November 9, 2006.
(17) Incorporated by reference to the Registrants' Report on Form 8-K filed on December 14, 2007
(18) Incorporated by reference to the Registrants' Report on Form 8-K filed on February 6, 2008.
(19) Incorporated by reference to the Registrants' Report on Form 8-K filed on March 27, 2008.
(20) Incorporated by reference to the Registrant's Definitive Proxy Statement filed October 6, 2008.
(21) Incorporated by reference to the Registrant's Definitive Proxy Statement filed October 15, 2008.
(22) Incorporated by reference to the Registrant's Report on Form 8-K filed on December 15, 2008.
(23) Incorporated by reference to the Registrant's Report on Form 8-K filed on March 5, 2009.
(24) Incorporated by reference to the Registrant's Report on Form 8-K filed on June 4, 2009.
(25) Incorporated by reference to the Registrant's Report on Form 8-K filed on June 24, 2009.

EXHIBIT 10.18

SECOND AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

Dated as of March 1, 2006

among

RESMED CORP.

RESMED EAP HOLDINGS INC.,

AND

SERVO MAGNETICS INC.,

AS BORROWERS,

RESMED INC.,

AS GUARANTOR,

THE LENDERS HEREIN NAMED

and

UNION BANK OF CALIFORNIA, N.A.,
as Administrative Agent

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SECOND AMENDED AND RESTATED REVOLVING LOAN AGREEMENT

Dated as of March 1, 2006

THIS SECOND AMENDED AND RESTATED REVOLVING LOAN AGREEMENT (this "Agreement") is entered into by and among ResMed Corp., a Minnesota corporation ("ResMed"), RESMED EAP HOLDINGS INC., a Delaware corporation ("Holdings"), and SERVO MAGNETICS INC., a Delaware corporation ("SMI"; ResMed, Holdings and SMI are sometimes referred to herein individually as a "Borrower," and collectively, as "Borrowers"), each lender whose name is set forth on the signature pages of this Agreement and each lender that may hereafter become a party to this Agreement pursuant to Section 12.8 (collectively, the "Lenders" and individually, a "Lender"), and Union Bank of California, N.A., as Administrative Agent, with reference to the following facts:

RECITALS

A. ResMed and Holdings ("Existing Borrowers"), on the one hand, and Union Bank of California, N.A. ("Union Bank"), on the other, are parties to that certain First Amended and Restated Loan Agreement dated as of November 1, 2005, as amended (collectively, the "Existing Loan Agreement"), pursuant to which Union Bank provided various credit facilities to Existing Borrowers (collectively, the "Existing Credit Facilities").

B. Borrowers, the Lenders and the Administrative Agent wish to enter into this Agreement, pursuant to which the Existing Credit Facilities are amended and restated, and the Lenders will provide the Loan described herein to Borrowers, a portion of the proceeds of which Loan will be utilized by Borrowers to refinance Existing Borrowers' outstanding obligations to Union Bank in connection with the Existing Credit Facilities, and a portion of which will be utilized for Borrowers' working capital needs and other general corporate purposes.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

Article 1.
DEFINITIONS AND ACCOUNTING TERMS

1.1 Defined Terms. As used in this Agreement, the following terms shall have the respective meanings set forth below:

"Accounts" means all "accounts," as such term is defined in the UCC, now owned or hereafter acquired by any Person, including (a) all accounts receivable, other receivables, book debts and other forms of obligations (other than forms of obligations evidenced by "chattel paper," "documents" or "instruments" (as such terms are defined in the UCC)), whether arising out of goods sold or services rendered by it or from any other transaction (including any such obligations that may be characterized as an account or contract right under the UCC), (b) all purchase orders or receipts for goods or services, (c) all rights to any goods represented by any of the foregoing (including unpaid sellers' rights of rescission, replevin, reclamation and stoppage in transit and rights to returned,

reclaimed or repossessed goods), (d) all monies due or to become due to such Person under all purchase orders and contracts for the sale of goods or the performance of services or both by such Person or in connection with any other transaction (whether or not yet earned by performance on the part of such Person) now or hereafter in existence, including the right to receive the proceeds of said purchase orders and contracts, and (e) all collateral security and guaranties of any kind, now or hereafter in existence, given by any Person with respect to any of the foregoing.

"Acquisition" means any transaction, or any series of related transactions, consummated after the Closing Date, by which Borrower and/or any of its Subsidiaries directly or indirectly (a) acquires any ongoing business or all or substantially all of the assets of any Person engaged in any ongoing business, whether through a purchase of assets, a merger or otherwise, (b) acquires control of securities of a Person engaged in an ongoing business representing more than 50% of the ordinary voting power for the election of directors or other governing position if the business affairs of such Person are managed by a board of directors or other governing body or (c) acquires control of more than 50% of the interests having, directly or indirectly, power to direct or cause the direction of management or policies of any partnership, joint venture, limited liability company, business trust or other Person engaged in an ongoing business that is not managed by a board of directors or other governing body.

"Administrative Agent" means Union Bank when acting in its capacity as the Administrative Agent under any of the Loan Documents, or any successor Administrative Agent.

"Administrative Agent's Office" means the Administrative Agent's address as set forth on the signature pages of this Agreement, or such other address as the Administrative Agent hereafter may designate by written notice to Borrower Representative and the Lenders.

"Advance" means any advance made or to be made by any Lender to Borrower Representative as provided inArticle 2, and includes each Alternate Base Rate Advance, Eurodollar Rate Advance and Treasuries Rate Advance.

"Affiliate" means, as to any Person, any other Person which directly or indirectly controls, or is under common control with, or is controlled by, such Person. As used in this definition, "control" (and the correlative terms, "controlled by" and "under common control with") shall mean possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of securities or partnership or other ownership interests, by contract or otherwise); provided that, so long as Parent is publicly traded, the foregoing shall not include the shareholders of Parent.

"Agreement" means this Second Amended and Restated Revolving Loan Agreement, either as originally executed or as it may from time to time be supplemented, modified, amended, restated or extended.

"Aggregate Effective Amount" means, as of any date of determination and with respect to all Letters of Credit then outstanding, the sum of (a) the aggregate effective face amounts of all such Letters of Credit not then paid by the Issuing Lender plus (b) the aggregate amounts paid by the Issuing Lender under such Letters of Credit not then reimbursed to the Issuing Lender by Borrower pursuant to Section 2.5(d) and not the subject of Advances made pursuant to Section 2.5(e).

"Alternate Base Rate" means, as of any date of determination, the rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the higher of (a) the Prime Rate in effect on such date and (b) the Federal Funds Rate in effect on such date plus 1/2 of 1% (50 basis points).

"Alternate Base Rate Advance" means an Advance under the Revolving Commitment made hereunder and specified to be an Alternate Base Rate Advance in accordance with Article 2.

"Alternate Base Rate Loan" means a Revolving Loan made hereunder and specified to be an Alternate Base Rate Loan in accordance with Article 2.

"Applicable Alternate Base Rate Margin" means, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

Applicable Pricing Level	Margin
I	0.0 bps
II	0.0 bps
III	0.0 bps
IV	0.0 bps

"Applicable Commitment Fee Rate" means one-eighth of one percent (0.125%).

"Applicable Eurodollar Rate Margin" means, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

Applicable Pricing Level	Margin
I	0.75%
II	0.80%
III	0.90%
IV	1.00%

"Applicable Pricing Level" means, for each Pricing Period, the pricing level set forth below opposite the Leverage Ratio as of the last day of the Fiscal Quarter most recently ended prior to the commencement of that Pricing Period:

Pricing Level	Leverage Ratio
I	Less than 1.00 to 1.00
II	Greater than or equal to 1.00 to 1.00, but less than 1.25 to 1.00
III	Greater than or equal to 1.25 to 1.00, but less than 1.50 to 1.00
IV	Greater than or equal to 1.50 to 1.00

provided that (i) in the event that Borrower does not deliver a Pricing Certificate with respect to any Pricing Period prior to the commencement of such Pricing Period, then until such Pricing Certificate is delivered, the Applicable Pricing Level for that Pricing Period shall be Pricing Level IV, and (ii) if any Pricing Certificate is subsequently determined to be in error, then any resulting change in the Applicable Pricing Level shall be made retroactively to the beginning of the relevant Pricing Period.

"Applicable Treasuries Rate Margin" means, for each Pricing Period, the interest rate margin set forth below (expressed in basis points per annum) opposite the Applicable Pricing Level for that Pricing Period:

Applicable Pricing Level	Margin
I	0.75%
II	0.80%
III	0.90%
IV	1.00%

"Arranger" means Union Bank.

"Banking Day" means any Monday, Tuesday, Wednesday, Thursday or Friday, other than a day on which banks are authorized or required to be closed in California or New York.

"Borrower Representative" means ResMed.

"Capital Expenditure" means any expenditure by any Credit Party for or related to fixed assets or purchased intangibles that is treated as a capital expenditure under GAAP, including any amount which is required to be treated as an asset subject to a Capital Lease Obligation. The amount of Capital Expenditures in respect of fixed assets purchased or constructed by any Credit Party in any fiscal period shall be net of (a) any net sales proceeds received during such fiscal period by Borrower or such Subsidiary for

fixed assets sold by Borrower or such Subsidiary and (b) any casualty insurance or condemnation proceeds received during such fiscal period by Borrower or such Subsidiary for casualties or condemnations to fixed assets and applied (or to be applied) to the repair or replacement thereof.

"Capital Lease Obligations" means all monetary obligations of a Person under any leasing or similar arrangement which, in accordance with GAAP, is classified as a capital lease.

"Cash" means, when used in connection with any Person, all monetary and non monetary items owned by that Person that are treated as cash in accordance with GAAP, consistently applied.

"Cash Equivalents" means, when used in connection with any Person, that Person's Investments in:

(a) Government Securities due within one year after the date of the making of the Investment;

(b) readily marketable direct obligations of any State of the United States of America or any political subdivision of any such State or any public agency or instrumentality thereof given on the date of such Investment a credit rating of at least Aa by Moody's Investors Service, Inc. or AA by Standard & Poor's Rating Group (a division of McGraw Hill, Inc.), in each case due within one year from the making of the Investment;

(c) certificates of deposit issued by, bank deposits in, Eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by any Lender or any bank incorporated under the Laws of the United States of America, any State thereof or the District of Columbia and having on the date of such Investment combined capital, surplus and undivided profits of at least $250,000,000, or total assets of at least $5,000,000,000, in each case due within one year after the date of the making of the Investment;

(d) certificates of deposit issued by, bank deposits in, Eurodollar deposits through, bankers' acceptances of, and repurchase agreements covering Government Securities executed by any Lender or any branch or office located in the United States of America of a bank incorporated under the Laws of any jurisdiction outside the United States of America having on the date of such Investment combined capital, surplus and undivided profits of at least $500,000,000, or total assets of at least $15,000,000,000, in each case due within one year after the date of the making of the Investment;

(e) repurchase agreements covering Government Securities executed by a broker or dealer registered under Section 15(b) of the Securities Exchange Act of 1934, as amended, having on the date of the Investment capital of at least $50,000,000, due within 90 days after the date of the making of the Investment; provided that the maker of the Investment receives written confirmation of the transfer to it of record

ownership of the Government Securities on the books of a "primary dealer" in such Government Securities or on the books of such registered broker or dealer, as soon as practicable after the making of the Investment;

(f) readily marketable commercial paper or other debt securities issued by corporations doing business in and incorporated under the Laws of the United States of America or any State thereof or of any corporation that is the holding company for a bank described in clause (c) or (d) above given on the date of such Investment a credit rating of at least P-2 by Moody's Investors Service, Inc. or A-2 by Standard & Poor's Rating Group (a division of McGraw Hill, Inc.), in each case due within one year after the date of the making of the Investment;

(g) "money market preferred stock" issued by a corporation incorporated under the Laws of the United States of America or any State thereof (i) given on the date of such Investment a credit rating of at least Aa by Moody's Investors Service, Inc. and AA by Standard & Poor's Rating Group (a division of McGraw Hill, Inc.), in each case having an investment period not exceeding 50 days or (ii) to the extent that investors therein have the benefit of a standby letter of credit issued by a Lender or a bank described in clauses (c) or (d) above; provided that (y) the amount of all such Investments issued by the same issuer does not exceed $5,000,000 and (z) the aggregate amount of all such Investments does not exceed the greater of (A) $15,000,000 or (B) ten percent (10%) of aggregate Cash Equivalents;

(h) a readily redeemable "money market mutual fund" sponsored by a bank described in clause (c) or (d) hereof, or a registered broker or dealer described in clause (e) hereof, that has and maintains an investment policy limiting its investments primarily to instruments of the types described in clauses (d) through (g) hereof and given on the date of such Investment a credit rating of at least Aa by Moody's Investors Service, Inc. and AA by Standard & Poor's Rating Group (a division of McGraw Hill, Inc.); and

(i) corporate notes or bonds having an original term to maturity of not more than one year issued by a corporation incorporated under the Laws of the United States of America, or a participation interest therein; *provided* that (i) corporate notes or bonds issued by such corporation is given on the date of such Investment a credit rating of at least Aa by Moody's Investors Service, Inc. and AA by Standard & Poor's Rating Group (a division of McGraw Hill, Inc.), (ii) the amount of all such Investments issued by the same issuer does not exceed $5,000,000 and (iii) the aggregate amount of all such Investments does not exceed the greater of (A) $15,000,000 or (B) ten percent (10%) of aggregate Cash Equivalents.

"Cash Income Taxes" means, with respect to any fiscal period, taxes on or measured by the income of Borrower that are paid or currently payable in Cash by Borrower during that fiscal period.

"Cash Interest Expense" means Interest Expense that is paid or currently payable in Cash.

"Certificate" means a certificate signed by a Senior Officer or Responsible Official (as applicable) of the Person providing the certificate.

"Change in Control" means (a) any transaction or series of related transactions in which any Unrelated Person or two or more Unrelated Persons acting in concert acquire beneficial ownership (within the meaning of Rule 13d 3(a)(1) under the Securities Exchange Act of 1934, as amended), directly or indirectly, of 35% or more of the outstanding Common Stock, (b) any Credit Party consolidates with or merges into another Person or conveys, transfers or leases its properties and assets substantially as an entirety to any Person or any Person consolidates with or merges into any Credit Party, in either event pursuant to a transaction in which the outstanding Common Stock is changed into or exchanged for cash, securities or other property, with the effect that any Unrelated Person becomes the beneficial owner, directly or indirectly, of 35% or more of the outstanding Common Stock, (c) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the board of directors of Parent (together with any new or replacement directors whose election by the board of directors, or whose nomination for election, was approved by a vote of at least a majority of the directors then still in office who were either directors at the beginning of such period or whose election or nomination for reelection was previously so approved) cease for any reason to constitute a majority of the directors then in office or (d) a "change in control" as defined in any document governing Indebtedness for borrowed money of any Credit Party in excess of $15,000,000 which gives the holders of such Indebtedness the right to accelerate or otherwise require payment of such Indebtedness prior to the maturity date thereof. For purposes of the foregoing, the term "Unrelated Person" means any Person other than (i) Parent, with respect to any Borrower, or (ii) an employee stock ownership plan or other employee benefit plan covering the employees of any the Credit Parties and their Subsidiaries.

"Closing Date" means the time and Banking Day on which the conditions set forth in Section 8.1 are satisfied or waived. The Administrative Agent shall notify Borrower Representative and the Lenders of the date that is the Closing Date.

"Closing Date Lenders" means Union Bank of California, N.A.

"Code" means the Internal Revenue Code of 1986, as amended or replaced and as in effect from time to time.

"Collateral" means all of the collateral covered by the Collateral Documents.

"Collateral Documents" means, collectively, the Security Agreements, the Parent Guaranty, the Real Estate Documents, and any other security agreement, pledge agreement, deed of trust, mortgage, notice to or acknowledgment of a registrar or depositary institution, control agreement or other collateral security agreement executed and delivered by any Credit Party or any other Party (and executed by any third party whose signature is necessary) to secure the Obligations, in each case, either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"Commitment Assignment and Acceptance" means a commitment assignment and acceptance substantially in the form of Exhibit A.

"Common Stock" means the common stock of any Credit Party, or any successor of such Credit Party.

"Compliance Certificate" means a certificate in the form of Exhibit B, properly completed and signed by a Senior Officer of Borrower Representative.

"Contractual Obligation" means, as to any Person, any material provision of any outstanding security issued by that Person or of any material agreement, instrument or undertaking to which that Person is a party or by which it or any of its Property is bound.

"Convertible Notes" means those certain 4% Convertible Subordinated Notes issued by Parent under the Indenture dated as of June 20, 2001 between Parent and American Stock Transfer & Trust Company, as trustee.

"Credit Party" means any or all, as the context dictates, of the Borrowers and Parent.

"Credit Party Subordinated Obligations" means any Indebtedness of any Credit Party that (a) does not have any scheduled principal payment, mandatory principal prepayment or sinking fund payment due prior to the date that is one year after the Revolving Loan Maturity Date, (b) is not secured by any Lien on any Property of any Credit Party or any of their Subsidiaries, (c) is not guarantied by any Credit Party or any of their Subsidiaries (other than guaranties of lease or other customarily guaranteed obligations of its Subsidiaries by Parent in the ordinary course of business, and except as may otherwise expressly be permitted hereunder), (d) is subordinated by its terms in right of payment to the Obligations pursuant to provisions reasonably acceptable to the Requisite Lenders, (e) is subject to such financial and other covenants and events of defaults as may be reasonably acceptable to the Requisite Lenders and (f) is subject to customary interest blockage and delayed acceleration provisions as may be reasonably acceptable to the Requisite Lenders.

"Debtor Relief Laws" means the Bankruptcy Code of the United States of America, as amended from time to time, and all other applicable liquidation, conservatorship, bankruptcy, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws from time to time in effect affecting the rights of creditors generally.

"Default" means any event that, with the giving of any applicable notice or passage of time specified in Section 9.1, or both, would be an Event of Default.

"Default Rate" means the sum of (a) any incremental interest rate then in effect pursuant to Section 3.1(e) plus (b) the interest rate prescribed in Section 3.7.

"Designated Deposit Account" means a deposit account to be maintained by ResMed with Union Bank of California, N.A. or one of its Affiliates, as from time to time

designated by Borrower Representative by written notification to the Administrative Agent.

"Designated Eurodollar Market" means, with respect to any Eurodollar Rate Loan, the London Eurodollar Market.

"Disqualified Stock" means any capital stock, warrants, options or other rights to acquire capital stock (but excluding any debt security which is convertible, or exchangeable, for capital stock), which, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, on or prior to the Revolving Loan Maturity Date.

"Disposition" means the sale, transfer or other disposition in any single transaction or series of related transactions of any asset, or group of related assets, of any Credit Party (a) which asset or assets constitute a line of business or substantially all the assets of such Credit Party or (b) the aggregate amount of the Net Cash Sales Proceeds of such assets is more than $5,000,000, other than (i) inventory or other assets sold or otherwise disposed of in the ordinary course of business of such Credit Party, (ii) equipment sold or otherwise disposed of where substantially similar equipment in replacement thereof has theretofore been acquired, or thereafter within 180 days is acquired, by such Credit Party and (iii) obsolete or other assets which such Credit Party determines in good faith are no longer useful in the business of such Credit Party.

"Distribution" means, with respect to any shares of capital stock or any warrant or option to purchase an equity security or other equity security issued by a Person, (a) the retirement, redemption, purchase or other acquisition for Cash or for Property by such Person of any such security (other than Permitted Stock Repurchases), (b) the payment by such Person of any dividend in Cash or in Property on or with respect to any such security, (c) any Investment by such Person in the holder of 5% or more of any such security if a purpose of such Investment is to avoid characterization of the transaction as a Distribution and (d) any other payment in Cash or Property by such Person constituting a distribution under applicable Laws with respect to such security.

"DLA" means DLA Piper Rudnick Gray Cary US LLP.

"Dollars" or "$" means United States of America dollars.

"Domestic Subsidiary" means a Subsidiary of a Person organized under the laws of (or a political subdivision thereof) the United States of America; provided that the foregoing shall not include either ResMed Germany or ResMed Holdings.

"EBITDA" means, with respect to any fiscal period, and any Person, the sum of (a) Net Income for that period, plus (b) any non-operating non recurring loss (not to exceed $2,000,000) reflected in such Net Income, minus (c) any non-operating non recurring gain (not to exceed $2,000,000) reflected in such Net Income, plus (d) Interest Expense of such Person for that period, plus (e) payment or provision for income taxes,

plus (f) depreciation, amortization and all other non-cash expenses of such Person (including but not limited to expenses actually taken in connection with equity-based compensation or awards pursuant to Financial Accounting Standard 123R) for that period, in each case as determined in accordance with GAAP, consistently applied.

"Eligible Assignee" means (a) another Lender, (b) with respect to any Lender, any Affiliate of that Lender, (c) any commercial bank having total assets of $1,000,000,000 or more, (d) any (i) savings bank, savings and loan association or similar financial institution or (ii) insurance company engaged in the business of writing insurance which, in either case (A) has total assets of $1,000,000,000 or more, (B) is engaged in the business of lending money and extending credit under credit facilities substantially similar to those extended under this Agreement and (C) is operationally and procedurally able to meet the obligations of a Lender hereunder to the same degree as a commercial bank and (e) any other financial institution (including a mutual fund or other fund) having total assets of $1,000,000,000 or more which meets the requirements set forth in subclauses (B) and (C) of clause (d) above; provided that each Eligible Assignee must either (aa) be organized under the Laws of the United States of America, any State thereof or the District of Columbia or be organized under the Laws of the Cayman Islands or any country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of such a country, and (i) act hereunder through a branch, agency or funding office located in the United States of America and (ii) be exempt from withholding of tax on interest and deliver the documents related thereto pursuant to Section 12.21.

"ERISA" means the Employee Retirement Income Security Act of 1974, and any regulations or rulings issued pursuant thereto, as amended or replaced and as in effect from time to time.

"ERISA Affiliate" means each Person (whether or not incorporated) which is required to be aggregated with any Credit Party pursuant to Section 414 of the Code.

"Eurodollar Banking Day" means any Banking Day on which dealings in Dollar deposits are conducted by and among banks in the Designated Eurodollar Market.

"Eurodollar Lending Office" means, as to each Lender, its office or branch so designated by written notice to Borrower Representative and the Administrative Agent as its Eurodollar Lending Office. If no Eurodollar Lending Office is designated by a Lender, its Eurodollar Lending Office shall be its office at its address for purposes of notices hereunder.

"Eurodollar Market" means a regular established market located outside the United States of America by and among banks for the solicitation, offer and acceptance of Dollar deposits in such banks.

"Eurodollar Obligations" means eurocurrency liabilities, as defined in Regulation D or any comparable regulation of any Governmental Agency having jurisdiction over any Lender.

"Eurodollar Period" means, as to each Eurodollar Rate Loan, the period commencing on the date specified by Borrower Representative pursuant to Section 2.1(b) and ending 1, 2, 3, 6 or 12 months (or, with the written consent of all of the Lenders, any other period) thereafter, as specified by Borrower Representative in the applicable Request for Loan; provided that:

(a) The first day of any Eurodollar Period shall be a Eurodollar Banking Day;

(b) Any Eurodollar Period that would otherwise end on a day that is not a Eurodollar Banking Day shall be extended to the immediately succeeding Eurodollar Banking Day unless such Eurodollar Banking Day falls in another calendar month, in which case such Eurodollar Period shall end on the immediately preceding Eurodollar Banking Day; and

(c) No Eurodollar Period shall extend beyond the Revolving Loan Maturity Date.

"Eurodollar Rate" means, with respect to any Eurodollar Rate Loan, the average of the interest rates per annum (rounded upward, if necessary, to the next 1/16 of 1%) at which deposits in Dollars are offered to the Administrative Agent in the Designated Eurodollar Market at or about 11:00 a.m. local time in the Designated Eurodollar Market, two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period in an aggregate amount approximately equal to the amount of the Advance to be made by the Administrative Agent with respect to such Eurodollar Rate Loan and for a period of time comparable to the number of days in the applicable Eurodollar Period.

"Eurodollar Rate Advance" means an Advance made hereunder and specified to be a Eurodollar Rate Advance in accordance with Article 2.

"Eurodollar Rate Loan" means a Loan made hereunder and specified to be a Eurodollar Rate Loan in accordance with Article 2.

"Event of Default" shall have the meaning provided in Section 9.1.

"Existing Credit Facilities" shall have the meaning provided in the recitals to this Agreement.

"Existing Letters of Credit" means the letters of credit, if any, outstanding on the Closing Date and listed on Schedule 2.4.

"Existing Loan Agreement" shall have the meaning provided in the recitals to this Agreement.

"Federal Funds Rate" means, as of any date of determination, the rate set forth in the weekly statistical release designated as H.15(519), or any successor publication, published by the Federal Reserve Board (including any such successor, "H.15(519)") for such date opposite the caption "Federal Funds (Effective)". If for any relevant date such

rate is not yet published in H.15(519), the rate for such date will be the rate set forth in the daily statistical release designated as the Composite 3:30 p.m. Quotations for U.S. Government Securities, or any successor publication, published by the Federal Reserve Lender of New York (including any such successor, the "Composite 3:30 p.m. Quotation") for such date under the caption "Federal Funds Effective Rate". If on any relevant date the appropriate rate for such date is not yet published in either H.15(519) or the Composite 3:30 p.m. Quotations, the rate for such date will be the arithmetic mean of the rates for the last transaction in overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that date by each of three leading brokers of Federal funds transactions in New York City selected by the Administrative Agent. For purposes of this Agreement, any change in the Alternate Base Rate due to a change in the Federal Funds Rate shall be effective as of the opening of business on the effective date of such change.

"Fiscal Quarter" means the fiscal quarter of the Credit Parties ending on each September 30, December 31, March 31 and June 30.

"Fiscal Year" means the fiscal year of the Credit Parties ending on each June 30.

"Fixed Charge Coverage Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) EBITDA of Parent and its Subsidiaries, on a consolidated basis, for the fiscal period consisting of the four (4) Fiscal Quarters ended on that date minus Capital Expenditures made by Parent and its Subsidiaries on a consolidated basis during such fiscal period to (b) the sum of (i) Interest Expense of Parent and its Subsidiaries on a consolidated basis for such fiscal period plus (ii) Cash Income Taxes of Parent and its Subsidiaries on a consolidated basis with respect to such fiscal period plus (iii) Cash dividends on Parent's Common Stock paid during such period plus (iv) the current portion of long-term debt of Parent and its Subsidiaries on a consolidated basis on such date (provided that, notwithstanding the presentation by KPMG, LLP (or other independent public accountants of recognized standing selected by Parent) to the contrary, that portion of the Indebtedness owing by (x) Borrowers to Agent and Lenders hereunder, and (y) ResMed Limited to HSBC, due more than one year from any date of determination shall not constitute "current portion of long-term debt") plus (v) the current portion of long-term Capital Lease Obligations of Parent and its Subsidiaries on a consolidated basis on such date.

"Foreign Subsidiary" means a Subsidiary of a Person, which Subsidiary is organized under the Laws of a country (or political subdivision thereof) other than the United States of America.

"GAAP" means, as of any date of determination, accounting principles (a) set forth as generally accepted in then currently effective Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants, (b) set forth as generally accepted in then currently effective Statements of the Financial Accounting Standards Board or (c) that are then approved by such other entity as may be approved by a significant segment of the accounting profession in the United States of America. The term "consistently applied," as used in connection therewith, means that the accounting

principles applied are consistent in all material respects with those applied at prior dates or for prior periods.

"Government Securities" means readily marketable (a) direct full faith and credit obligations of the United States of America or obligations guaranteed by the full faith and credit of the United States of America and (b) obligations of an agency or instrumentality of, or corporation owned, controlled or sponsored by, the United States of America that are generally considered in the securities industry to be implicit obligations of the United States of America.

"Governmental Agency" means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi governmental agency, authority, board, bureau, commission, department, instrumentality or public body or (c) any court or administrative tribunal of competent jurisdiction.

"Guaranty Obligation" means, as to any Person, any (a) guarantee by that Person of Indebtedness of, or other obligation performable by, any other Person or (b) assurance given by that Person to an obligee of any other Person with respect to the performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Guaranty Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation in respect of Indebtedness shall be deemed to be an amount equal to the stated or determinable amount of the related Indebtedness (unless the Guaranty Obligation is limited by its terms to a lesser amount, in which case to the extent of such amount) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith. The amount of any other Guaranty Obligation shall be deemed to be zero unless and until the amount thereof has been (or in accordance with Financial Accounting Standards Board Statement No. 5 should be) quantified and reflected or disclosed in the consolidated financial statements of Parent.

"Hazardous Materials" means substances defined as "hazardous substances" pursuant to the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. § 9601 et seq., or as "hazardous", "toxic" or "pollutant" substances or as "solid waste" pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. § 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. § 6901, et seq., or as "friable asbestos" pursuant to the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq. or any other applicable Hazardous Materials Law, in each case as such Laws are amended from time to time.

"Hazardous Materials Laws" means all Laws governing the treatment, transportation or disposal of Hazardous Materials applicable to any of the Real Property.

"HSBC" means HSBC Bank Australia Limited ABN 48 006 434 162, in its capacity as security trustee of the ResMed Group Security Trust.

"HSBC Agreements" means one or more intercreditor agreements, in each case by and among HSBC, Administrative Agent and the affected Credit Party (as described therein), in form and content reasonably acceptable to Administrative Agent.

"Indebtedness" means, as to any Person (without duplication), (a) indebtedness of such Person for borrowed money or for the deferred purchase price of Property (excluding trade and other accounts payable in the ordinary course of business in accordance with ordinary trade terms)including (but without duplication) any Guaranty Obligation for any such indebtedness, (b) indebtedness of such Person of the nature described in clause (a) that is non recourse to the credit of such Person but is secured by assets of such Person, to the extent of the fair market value of such assets as determined in good faith by such Person, (c) Capital Lease Obligations of such Person, (d) indebtedness of such Person arising under bankers' acceptance facilities or under facilities for the discount of accounts receivable of such Person, (e) any direct or contingent obligations of such Person under letters of credit issued for the account of such Person and (f) any net obligations of such Person under Interest Rate Protection Agreements.

"Initial Pricing Period" means the period from the Closing Date through March 31, 2006,provided that in the event that Borrower Representative has not delivered the financial statements and compliance certificate with respect to the Fiscal Quarter ended December 31, 2005 to the Administrative Agent pursuant to Section 7.1(a) and Section 7.2 on or prior to March 31, 2006, the Initial Pricing Period shall be extended until the date which is 45 days after the end of the Fiscal Quarter during which such financial statements and compliance certificate are delivered to the Administrative Agent.

"Intangible Assets" means assets that are considered intangible assets under GAAP,including customer lists, goodwill, covenants not to compete, copyrights, trade names, trademarks, licenses and patents.

"Interest Expense" means, with respect to any Person and as of the last day of any fiscal period, thesum of (a) all interest, fees, charges and related expenses (in each case as such expenses are calculated according to GAAP) paid or payable (without duplication) for that fiscal period by that Person to a lender in connection with borrowed money (including any obligations for fees, charges and related expenses payable to the issuer of any letter of credit) or the deferred purchase price of assets that are considered "interest expense" under GAAP plus (b) the portion of rent paid or payable (without duplication) for that fiscal period by that Person under Capital Lease Obligations that should be treated as interest in accordance with Financial Accounting Standards Board Statement No. 13.

"Interest Rate Protection Agreement" means a written agreement between any Person and one or more financial institutions providing for "swap", "cap", "collar" or other interest rate protection with respect to any Indebtedness.

"Investment" means, when used in connection with any Person, any investment by or of that Person, whether by means of purchase or other acquisition of stock or other securities of any other Person or by means of a loan, advance creating a debt, capital contribution, guaranty or other debt or equity participation or interest in any other Person, including any partnership and joint venture interests of such Person. The amount of any Investment shall be the amount actually invested minus any return of capital with respect to such Investment which has actually been received in Cash or has been converted into Cash), without adjustment for subsequent increases or decreases in the value of such Investment.

"Issuing Lender" means Union Bank.

"Kearny Mesa Property" means that certain property owned by ResMed and commonly know as "4665, 4773, and 4711 Paramount Drive, Poway, California."

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, regulations, ordinances, codes and administrative or judicial precedents of, in each case, a Governmental Agency.

"Lender" means each lender whose name is set forth in the signature pages of this Agreement and each lender which may hereafter become a party to this Agreement pursuant to Section 12.8.

"Letters of Credit" means (a) the Existing Letters of Credit and (b) any of the Standby Letters of Credit issued by the Issuing Lender under the Revolving Commitment pursuant to Section 2.5, either as originally issued or as the same may be supplemented, modified, amended, renewed, extended or supplanted.

"Leverage Ratio" means, as of the last day of any Fiscal Quarter, the ratio of (a) all Indebtedness of Parent and its Subsidiaries on a consolidated basis on that date to (b) EBITDA of Parent and its Subsidiaries on a consolidated basis for the fiscal period consisting of the four (4) Fiscal Quarters ended on that date.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment for security, security interest, encumbrance, lien or charge of any kind, whether voluntarily incurred or arising by operation of Law or otherwise, affecting any Collateral, including any conditional sale or other title retention agreement, any lease in the nature of a security interest, and/or the filing of any financing statement (other than a precautionary financing statement with respect to a lease that is not in the nature of a security interest) under the Uniform Commercial Code or comparable Law of any jurisdiction with respect to any Collateral.

"Loan" means the aggregate of the Advances made at any one time by the Lenders pursuant to Section 2.1.

"Loan Documents" means, collectively, this Agreement, the Notes, the Collateral Documents, and any other agreements of any type or nature hereafter executed and delivered by any Credit Party to the Administrative Agent or to any Lender in any way relating to or in furtherance of this Agreement, in each case either as originally executed or as the same may from time to time be supplemented, modified, amended, restated, extended or supplanted.

"Margin Stock" means "margin stock" as such term is defined in Regulation U.

"Material Adverse Effect" means any set of circumstances or events which (a) has had or is reasonably expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, (b) has been or is reasonably expected to be material and adverse to the business or condition (financial or otherwise) of Parent and its Significant Subsidiaries, taken as a whole, or (c) has materially impaired or is reasonably expected to materially impair the ability of the Credit Parties to perform the Obligations.

"Multiemployer Plan" means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA to which any Credit Party or any of its ERISA Affiliates contributes or is obligated to contribute.

"Negative Pledge" means a Contractual Obligation which contains a covenant binding on any Person that prohibits Liens on any of such Person's Property,other than (a) any such covenant contained in a Contractual Obligation granting or relating to a particular Lien which affects only the Property that is the subject of such Lien and (b) any such covenant that does not apply to Liens securing the Obligations.

"Net Cash Sales Proceeds" means, with respect to any Disposition, the sum of (a) the Cash proceeds received by or for the account of any Credit Party from such Disposition plus (b) the amount of Cash received by or for the account of any Credit Party upon the sale, collection or other liquidation of any proceeds that are not Cash from such Disposition, in each case net of (i) any amount required to be paid to any Person owning an interest in the assets disposed of, (ii) any amount applied to the repayment of Indebtedness secured by a Lien permitted under Section 6.9 on the asset disposed of, (iii) any transfer, income or other taxes payable as a result of such Disposition, (iv) professional fees and expenses, fees due to any Governmental Agency, broker's commissions and other out-of-pocket costs of sale actually paid to any Person that is not an Affiliate of any Credit Party attributable to such Disposition and (v) any reserves established in accordance with GAAP in connection with such Disposition.

"Net Income" means, with respect to any fiscal period, the consolidated net income of the Credit Parties and their Subsidiaries for that period, determined in accordance with GAAP, consistently applied.

"Non-Credit Party Subordinated Obligations" means any Indebtedness of any non-Credit Party Subsidiary of Parent that (a) is not guarantied by any Credit Party (other than guaranties of lease or other customarily guaranteed obligations of its Subsidiaries by

Parent in the ordinary course of business, and except as may otherwise expressly be permitted hereunder), and (b) is subordinated by its terms (or operation of law) in right of payment to the Obligations.

"Norwest Property" means that certain manufacturing facility in Australia, commonly referred to as 1 Elizabeth MacArthur Drive, Bella Vista, NSW Australia, owned by ResMed Ltd., a Wholly-Owned Subsidiary of ResMed Holdings.

"Note" means any of the Revolving Notes, and "Notes" means, collectively, the Revolving Notes.

"Obligations" means all present and future obligations of every kind or nature of any Credit Party at any time and from time to time owed to the Administrative Agent or the Lenders or any one or more of them, in each case under any one or more of the Loan Documents, whether due or to become due, matured or unmatured, liquidated or unliquidated, or contingent or noncontingent, including obligations of performance as well as obligations of payment, and including interest that accrues after the commencement of any proceeding under any Debtor Relief Law by or against any Credit Party.

"Opinion of Counsel" means the favorable written legal opinion of counsel to Parent and Borrowers, together with copies of factual certificates and legal opinions, if any, delivered to such counsel in connection with such opinion upon which such counsel has relied.

"Parent" means ResMed Inc., a Delaware corporation and owner, directly or indirectly, of 100% of the issued and outstanding capital stock of Borrowers.

"Parent Guaranty" means the Continuing Guaranty and Pledge Agreement to be executed and delivered pursuant to Article 8 by Parent, in the form of Exhibit D, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"Parent, on a Consolidated Basis" means Parent and such Subsidiaries of Parent as are required, in accordance with GAAP with respect to that level of materiality affecting Parent or such Subsidiaries, as the context of this Agreement requires, to be reflected in Parent's filings with the Securities and Exchange Commission.

"Party" means any Person other than the Administrative Agent and the Lenders, which now or hereafter is a party to any of the Loan Documents.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereof established under ERISA.

"Pension Plan" means any "employee pension benefit plan" (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, which is subject to Title IV of ERISA and is maintained by any Credit Party or to which any Credit Party contributes or has an obligation to contribute.

"Permitted Acquisition" means any Acquisition by any Person (as applicable, the "acquiror") of all or substantially all of the assets and/or capital stock of another Person engaged in the same or a similar line of business as that of the acquiror (the "target"), provided that Borrower Representative shall have provided the Administrative Agent at least two (2) weeks prior written notice of such Acquisition, and (x) with respect to any Acquisition in which total Cash consideration from Parent and its Subsidiaries for such Acquisition is greater than $10,000,000 but less than or equal to $50,000,000 in any Fiscal Year, together with at least three (3) years of historical financial information relating to the target (to the extent available) and such other documentation pertaining to the Acquisition, including pro-forma quarterly projections, as the Administrative Agent may reasonably request; and (y) with respect to any Acquisition in which total Cash consideration from Parent and its Subsidiaries for such Acquisition is greater than $50,000,000 in any Fiscal Year, (i) such Acquisition shall have been approved by the board of directors of the target; (ii) the pro-forma balance sheets and combining projections (including pro-forma financial covenant ratios) provided by Borrower Representative to the Administrative Agent shall have demonstrated that, after giving effect to such Acquisition, (A) Borrowers (and Parent, as applicable) would have been in compliance with the financial covenants set forth in Sections 6.12, 6.13, 6.14, 6.15 and 6.16 of this Agreement throughout the period of the four (4) Fiscal Quarters most recently ended prior to the date of such Acquisition and (B) Borrowers (and Parent, as applicable) would remain in compliance with such financial covenants for the period of four (4) Fiscal Quarters immediately following the date of such Acquisition; (iii) the terms and conditions of any and all seller purchase-money financing provided to the acquiror in connection with such Acquisition shall be acceptable to the Administrative Agent and the Lenders in their reasonable discretion; and (iv) total Cash consideration from Parent and its Subsidiaries for such Acquisitions shall not exceed (A) $50,000,000 in the aggregate in any Fiscal Year, and (B) $200,000,000 in the aggregate during the term of this Agreement, in each case, without Administrative Agent's prior written consent, not to be unreasonably withheld; and, in each of clause (x) and (y), provided no Default or Event of Default shall exist at the time of such Acquisition or occur after giving effect to such Acquisition.

"Permitted Encumbrances" means:

(a) inchoate Liens incident to construction on or maintenance of Property; or Liens incident to construction on or maintenance of Property now or hereafter filed of record for which adequate reserves have been set aside (or deposits made pursuant to applicable Law) and which are being contested in good faith by appropriate proceedings and have not proceeded to judgment, provided that, by reason of nonpayment of the obligations secured by such Liens, no such Property is subject to a material impending risk of loss or forfeiture;

(b) Liens for taxes and assessments on Property which are not yet past due; or Liens for taxes and assessments on Property for which adequate reserves have been set aside (to the extent required by GAAP) and are being contested in good faith by appropriate proceedings and have not proceeded to judgment, provided that, by reason of nonpayment of the obligations secured by such Liens, no such Property is subject to a material impending risk of loss or forfeiture;

(c) defects and irregularities in title to any Property which in the aggregate do not materially impair the fair market value or use of the Property for the purposes for which it is or may reasonably be expected to be held;

(d) easements, exceptions, reservations, or other agreements for the purpose of pipelines, conduits, cables, wire communication lines, power lines and substations, streets, trails, walkways, drainage, irrigation, water, and sewerage purposes, dikes, canals, ditches, the removal of oil, gas, coal, or other minerals, and other like purposes affecting Property which in the aggregate do not materially burden or impair the fair market value or use of such Property for the purposes for which it is or may reasonably be expected to be held;

(e) rights reserved to or vested in any Governmental Agency to control or regulate, or obligations or duties to any Governmental Agency with respect to, the use of any Property;

(f) present or future zoning laws and ordinances or other laws and ordinances restricting the occupancy, use, or enjoyment of Property;

(g) statutory Liens, other than those described in clauses (a) or (b) above, arising in the ordinary course of business with respect to obligations which are not delinquent or are being contested in good faith, provided that, if delinquent, adequate reserves have been set aside with respect thereto (to the extent required by GAAP) and, by reason of nonpayment, no Property is subject to a material impending risk of loss or forfeiture;

(h) covenants, conditions, and restrictions affecting the use of Property which in the aggregate do not materially impair the fair market value or use of the Property for the purposes for which it is or may reasonably be expected to be held;

(i) rights of tenants under leases and rental agreements covering Property entered into in the ordinary course of business of the Person owning such Property;

(j) Liens consisting of pledges or deposits to secure obligations under workers' compensation laws or similar legislation, including Liens of judgments thereunder which are not currently dischargeable;

(k) Liens consisting of deposits of Property to secure bids made with respect to, or performance of, contracts (other than contracts creating or evidencing an extension of credit to the depositor);

(l) Liens consisting of any right of offset, or statutory bankers' lien, on bank deposit accounts maintained in the ordinary course of business so long as such bank deposit accounts are not established or maintained for the purpose of providing such right of offset or bankers' lien;

(m) Liens consisting of deposits of Property to secure statutory obligations of a Credit Party or its Subsidiaries;

(n) Liens consisting of deposits of Property to secure (or in lieu of) surety, appeal or customs bonds; and

(o) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 9.1(i);

(p) Nonconsensual Liens, without duplication for Liens described herein, arising in the ordinary course of Borrowers' business or by operation of law, which are not past due or which are being contested in good faith by appropriate proceedings and for which reserves have been established (to the extent required by GAAP), provided the same purport to secure an amount not to exceed $1,000,000 in the aggregate during the term of this Agreement;

(q) Liens created by or resulting from any litigation or legal proceeding in the ordinary course of business which is currently being contested in good faith by appropriate proceedings, provided that, adequate reserves have been set aside (to the extent required by GAAP) and no material Property is subject to a material impending risk of loss or forfeiture; and

(r) Liens in favor of the Administrative Agent.

"Permitted Right of Others" means a Right of Others consisting of (a) an interest (other than a legal or equitable co ownership interest, an option or right to acquire a legal or equitable co ownership interest and any interest of a ground lessor under a ground lease), that does not materially impair the fair market value or use of Property for the purposes for which it is or may reasonably be expected to be held, (b) an option or right to acquire a Lien that would be a Permitted Encumbrance, (c) the subordination of a lease or sublease in favor of a financing entity and (d) a license, or similar right, of or to Intangible Assets granted in the ordinary course of business.

"Permitted Stock Repurchases" means the repurchase by Parent of its capital stock for value, provided that such repurchase is (a) approved by Parent's Board of Directors and (b) disclosed in writing to Administrative Agent prior to the execution thereof.

"Person" means any individual or entity, including a trustee, corporation, limited liability company, general partnership, limited partnership, joint stock company, trust, estate, unincorporated organization, business association, firm, joint venture, Governmental Agency, or other entity.

"Pledged Collateral" means (a) the certificates evidencing 100% of the shares of capital stock held by (i) Parent in the Borrowers and any Significant Domestic Subsidiary

of Parent, and (ii) any Borrower in all Significant Domestic Subsidiaries of such Borrower.

"Poway Property" means that certain property owned by ResMed and commonly known as "14040 Danielson Street, Poway, California 92064-6857."

"Pricing Certificate" means a certificate substantially in the form of Exhibit E, properly completed and signed by a Senior Officer of Borrower Representative.

"Pricing Period" means (a) the Initial Pricing Period and (b) subsequent to the Initial Pricing Period, (i) the period commencing on the first day following the last day of the Initial Pricing Period and ending on the 45th day following the next ending Fiscal Quarter and (ii) thereafter, each period commencing, as the case may be, (A) on May 16 and ending August 15, (B) on August 16 and ending November 15, (C) on November 16 and ending February 15, and (D) on February 16 and ending May 15.

"Prime Rate" means the rate of interest publicly announced from time to time by the Administrative Agent in San Francisco, California (or other headquarters city of the Administrative Agent), as its "reference rate." The "reference rate" is one of several base rates used by the Administrative Agent and serves as the basis upon which effective rates of interest are calculated for loans and other credits making reference thereto. The "reference rate" is not necessarily the lowest base interest rate used by the Administrative Agent. The "reference rate" is evidenced by the recording thereof after its announcement in such internal publication or publications as the Administrative Agent may designate. Any change in the Prime Rate announced by the Administrative Agent shall take effect at the opening of business on the day specified in the public announcement of such change.

"Projections" means the projected financial information to be prepared by the Credit Parties and furnished to the Lenders hereunder as a condition to closing.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Pro Rata Share" means, with respect to each Lender, the percentage of the Revolving Commitment set forth opposite the name of that Lender on Schedule 1.1, as such percentage may be increased or decreased pursuant to a Commitment Assignment and Acceptance executed in accordance with Section 12.8.

"Quarterly Payment Date" means each March 31, June 30, September 30 and December 31, commencing with March 31, 2006.

"Real Estate Documents" means that certain Second Amendment to Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing, and that certain Environmental Compliance Agreement, each with respect to the Poway Property, and those certain leasehold mortgages and/or landlord waivers, or other appropriate waivers/consents from the owner/lessor of any Real Property not owned by any Borrower or any Subsidiary at which any of the Collateral is now or hereafter located for the purpose of perfecting the Administrative Agent's (on behalf of Lenders) Liens as first

priority Liens (subject to Permitted Encumbrances) in, and of providing access to, such Collateral; each in form and substance reasonably satisfactory to the Administrative Agent and the Closing Date Lenders.

"Real Property" means, as of any date of determination, all real property then or theretofore owned, leased or occupied by any of any Credit Party.

"Regulation D" means Regulation D, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulation in substance substituted therefor.

"Regulation U" means Regulation U, as at any time amended, of the Board of Governors of the Federal Reserve System, or any other regulation in substance substituted therefor.

"Request for Letter of Credit" means a written request for a Letter of Credit substantially in the form of Exhibit F, signed by a Responsible Official of Borrower Representative and properly completed to provide all information required to be included therein.

"Request for Loan" means a written request for a Loan substantially in the form of Exhibit G, signed by a Responsible Official of Borrower Representative and properly completed to provide all information required to be included therein.

"Requirement of Law" means, as to any Person, the articles or certificate of incorporation and by laws or other organizational or governing documents of such Person, and any Law, or judgment, award, decree, writ or determination of a Governmental Agency, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Requisite Lenders" means (a) as of any date of determination if the Revolving Commitment is then in effect, Lenders having in the aggregate 66-2/3% or more of the Revolving Commitment then in effect and (b) as of any date of determination if the Revolving Commitment has then been suspended or terminated and there is then any Indebtedness evidenced by the Notes, Lenders holding Notes evidencing in the aggregate 66-2/3% or more of the aggregate Indebtedness then evidenced by the Notes, and, in any event, not less than two (2) Lenders (unless there shall then be but one Lender).

"ResMed Germany" means ResMed Germany, Inc., an entity incorporated under the laws of Delaware and resident of Germany, and a Wholly-Owned Subsidiary of Parent.

"ResMed Holdings" means ResMed Holdings Ltd., an entity organized under the laws of Australia and Delaware, and a Wholly-Owned Subsidiary of Parent.

"ResMed Verwaltung" means ResMed GmbH Verwaltung, an entity organized under the laws of Germany, and a Wholly-Owned Subsidiary of Parent.

"Responsible Official" means (a) any Senior Officer of any Credit Party and (b) any other responsible official of any Credit Party so designated in a written notice thereof from a Senior Officer to the Administrative Agent. The Lenders shall be entitled to conclusively rely upon any document or certificate that is signed or executed by a Responsible Official of any Credit Party or any of their Subsidiaries as having been authorized by all necessary corporate, partnership and/or other action on the part of such Credit Party or such Subsidiary.

"Revolving Commitment" means, subject to Section 2.6 and Section 2.7, (a) $75,000,000 from the Closing Date through the day before the first anniversary of the Closing Date; (b) $70,000,000 from the first anniversary of the Closing Date through the day before the second anniversary of the Closing Date; (c) $65,000,000 from the second anniversary of the Closing Date though the day before the third anniversary of the Closing Date; and (d) $55,000,000 thereafter. The respective Pro Rata Shares of the Lenders with respect to the Revolving Commitment are set forth in Schedule 1.1.

"Revolving Loan" means a Loan made under the Revolving Commitment.

"Revolving Loan Maturity Date" means March 1, 2011.

"Revolving Note" means any of the promissory notes made by Borrowers to a Lender evidencing Advances under that Lender's Pro Rata Share of the Revolving Commitment, substantially in the form of Exhibit H, either as originally executed or as the same may from time to time be supplemented, modified, amended, renewed, extended or supplanted.

"Right of Others" means, as to any Property in which a Person has an interest, any legal or equitable right, title or other interest (other than a Lien) held by any other Person in that Property, and any option or right held by any other Person to acquire any such right, title or other interest in that Property, including any option or right to acquire a Lien; provided, however, that (a) no covenant restricting the use or disposition of Property of such Person contained in any Contractual Obligation of such Person and (b) no provision contained in a contract creating a right of payment or performance in favor of a Person that conditions, limits, restricts, diminishes, transfers or terminates such right shall be deemed to constitute a Right of Others.

"Security Agreements" means the security agreements to be executed and delivered pursuant to Article 8 by each Borrower, in the form of Exhibit I, either as originally executed or as it may from time to time be supplemented, modified, amended, extended or supplanted.

"Senior Officer" means (a) the chief executive officer, (b) the president, (c) any executive vice president, (d) the chief financial officer, (e) the controller or (f) the treasurer, in each case of any Credit Party.

"Significant Domestic Subsidiary" means a Significant Subsidiary that is not a Foreign Subsidiary of Parent. For clarification, neither ResMed Germany nor ResMed Holdings is a "Significant Domestic Subsidiary."

"Significant Subsidiary" means a Subsidiary that either (i) had net income for the Fiscal Year then most recently ended in excess of 10% of Net Income for such Fiscal Year or (ii) had assets in excess of 10% of the total assets of Parent and its Subsidiaries on a consolidated basis as at the end of the Fiscal Year then most recently ended.

"Solvent" means, as of any date of determination, and as to any Person, that on such date: (a) the fair valuation of the assets of such Person is greater than the fair valuation of such Person's probable liability in respect of existing debts; (b) such Person does not intend to, and does not believe that it will, incur debts beyond such Person's ability to pay as such debts mature; (c) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, which would leave such Person with assets remaining which would constitute unreasonably small capital after giving effect to the nature of the particular business or transaction; and (d) such Person is generally paying its debts as they become due. For the purpose of the foregoing (1) the "fair valuation" of any assets means the amount realizable within a reasonable time, either through collection or sale, of such assets at their regular market value, which is the amount obtainable by a capable and diligent businessman from an interested buyer willing to purchase such assets within a reasonable time under ordinary circumstances; and (2) the term "debts" includes any legal liability whether matured or unmatured, liquidated or unliquidated, absolute, fixed, or contingent.

"Special Eurodollar Circumstance" means the application or adoption after the Closing Date of any Law or interpretation, or any change therein or thereof, or any change in the interpretation or administration thereof by any Governmental Agency, central bank or comparable authority charged with the interpretation or administration thereof, or compliance by any Lender or its Eurodollar Lending Office with any request or directive (whether or not having the force of Law) of any such Governmental Agency, central bank or comparable authority.

"Standby Letter of Credit" means each Letter of Credit issued by the Issuing Lender under the Revolving Commitment pursuant to Section2.5 to support the payment or performance of an obligation by a Borrower.

"Stockholders' Equity" means, as of any date of determination and with respect to any Person, the consolidated stockholders' equity of the Person as of that date determined in accordance with GAAP; provided that there shall be excluded from Stockholders' Equity any amount attributable to Disqualified Stock.

"Subsidiary" means, as of any date of determination and with respect to any Person, any corporation, limited liability company or partnership (whether or not, in any case, characterized as such or as a "joint venture"), whether now existing or hereafter organized or acquired: (a) in the case of a corporation or limited liability company, of which a majority of the securities having ordinary voting power for the election of directors or other governing body (other than securities having such power only by reason of the happening of a contingency) are at the time beneficially owned by such Person and/or one or more Subsidiaries of such Person, or (b) in the case of a partnership,

of which a majority of the partnership or other ownership interests are at the time beneficially owned by such Person and/or one or more of its Subsidiaries.

"Tangible Net Worth" means, as of any date of determination, the difference between (a) the sum of (i) Stockholders' Equity of Parent and its Subsidiaries on such date and (ii) Subordinated Obligations outstanding on such date, and (b) the sum of material (as disclosed on Parent's consolidated financial statements) (i) Intangible Assets of Parent and its Subsidiaries on such date, (ii) organizational expenses and (iii) monies due from Affiliates (including officers, shareholders and directors) of Parent and its Subsidiaries on such date.

"to the best knowledge of" means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by the Person (or, in the case of a Person other than a natural Person, known by a Responsible Official of that Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by the Person (or, in the case of a Person other than a natural Person, would have been known by a Responsible Official of that Person).

"Treasuries Rate" means a per annum rate of interest based on the percentage yield on U.S. Treasury securities, plus a margin, set by Union Bank in its discretion on the Closing Date, related to the general cost of corporate borrowing for a term comparable to the term of the Loan, plus Lenders' costs, including the cost, if any, of reserve requirements and FDIC assessments.

"Treasuries Rate Advance" means an Advance made hereunder and specified to be a Treasuries Rate Advance in accordance withArticle 2.

"Treasuries Rate Loan" means a Loan made hereunder and specified to be a Treasuries Rate Loan in accordance withArticle 2.

"Type", when used with respect to any Loan or Advance, means the designation of whether such Loan or Advance is an Alternate Base Rate Loan or Advance, a Eurodollar Rate Loan or Advance or a Treasuries Rate Loan or Advance.

"UCC" means the Uniform Commercial Code as the same may from time to time be enacted and in effect in the State of Californiaprovided that, in the event by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of any Lien of the Lenders on any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of California, the term "UCC" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Union Bank" has the meaning set forth in the recitals to this Agreement.

"Wholly-Owned Subsidiary" means a Subsidiary of any Person, 100% of the capital stock or other equity interest of which is owned, directly or indirectly, by such Person, except for director's qualifying shares required by applicable Laws.

1.2 Use of Defined Terms. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any one or more of the members of the relevant class.

1.3 Accounting Terms. All accounting terms not specifically defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, except as otherwise specifically prescribed herein. In the event that GAAP changes during the term of this Agreement such that the covenants contained in Sections 6.12 through 6.16, inclusive, would then be calculated in a different manner or with different components, (a) the Credit Parties and the Lenders agree to amend this Agreement in such respects as are necessary to conform those covenants as criteria for evaluating the Credit Parties' financial condition to substantially the same criteria as were effective prior to such change in GAAP and (b) the Credit Parties shall be deemed to be in compliance with the covenants contained in the aforesaid Sections if and to the extent that the Credit Parties would have been in compliance therewith under GAAP as in effect immediately prior to such change, but shall have the obligation to deliver each of the materials described in Article 7 to the Administrative Agent and the Lenders, on the dates therein specified, with financial data presented in a manner which conforms with GAAP as in effect immediately prior to such change.

1.4 Rounding. Any financial ratios required to be maintained by the Credit Parties pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5 Exhibits and Schedules. All Exhibits and Schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.6 References to "the Credit Parties and their Subsidiaries". Any reference herein to the "Credit Parties and its Subsidiaries" or the like shall refer solely to such Credit Party during such times, if any, as such Credit Party shall have no Subsidiaries.

1.7 Miscellaneous Terms. The term "or" is disjunctive; the term "and" is conjunctive. The term "shall" is mandatory; the term "may" is permissive. Masculine terms also apply to females; feminine terms also apply to males. The term "including" is by way of example and not limitation.

Article 2.
LOANS AND LETTERS OF CREDIT

2.1 Loans General.

(a) Subject to the terms and conditions set forth in this Agreement, at any time and from time to time from the Closing Date through the Revolving Loan Maturity Date, each Lender shall, pro rata according to that Lender's Pro Rata Share of the then applicable Revolving Commitment, make Advances to Borrower Representative under the Revolving Commitment in such amounts as Borrower Representative may request that do not result in the sum of (i) the aggregate principal amount outstanding under the Revolving Notes and (ii) the Aggregate Effective Amount of all outstanding Letters of Credit to exceed the Revolving Commitment. Subject to the limitations set forth herein, Borrowers may borrow, repay and reborrow under the Revolving Commitment without premium or penalty.

(b) Subject to the next sentence, each Loan shall be made pursuant to a Request for Loan which shall specify the requested (i) date of such Loan, (ii) type of Loan, (iii) amount of such Loan, and (iv) in the case of a Eurodollar Rate Loan, the Eurodollar Period for such Loan. Unless the Administrative Agent has notified, in its sole and absolute discretion, Borrower Representative to the contrary, a Loan may be requested by telephone by a Responsible Official of Borrower Representative, in which case Borrower Representative shall confirm such request by promptly delivering a Request for Loan (conforming to the preceding sentence) in person or by telecopier to the Administrative Agent. The Administrative Agent shall incur no liability whatsoever hereunder in acting upon any telephonic request for Loan purportedly made by a Responsible Official of Borrower Representative, and Borrowers hereby agree to indemnify the Administrative Agent from any loss, cost, expense or liability as a result of so acting.

(c) Promptly following receipt of a Request for Loan, the Administrative Agent shall notify each Lender by telephone or telecopier (and if by telephone, promptly confirmed by telecopier) of the date and type of the Loan, the applicable Eurodollar Period, and that Lender's Pro Rata Share of the Loan. Not later than 12:00 p.m., California time, on the date specified for any Loan (which must be a Banking Day), each Lender shall make its Pro Rata Share of the Loan in immediately available funds available to the Administrative Agent at the Administrative Agent's Office. Upon satisfaction or waiver of the applicable conditions set forth in Article 8, all Advances shall be credited on that date in immediately available funds to the Designated Deposit Account.

(d) Unless the Requisite Lenders otherwise consent, each Alternate Base Rate Loan and each Treasuries Rate Loan shall be not less than $1,000,000 and in an integral multiple of $500,000 and each Eurodollar Rate Loan shall be not less than $1,000,000 and in an integral multiple of $500,000.

(e) The Advances made by each Lender under the Revolving Commitment shall be evidenced by that Lender's Revolving Note.

(f) A Request for Loan shall be irrevocable upon the Administrative Agent's first notification thereof.

(g) If no Request for Loan (or telephonic request for Loan referred to in the second sentence of Section 2.1(b), if applicable) has been made within the requisite notice periods set forth in Section 2.2, 2.3 or 2.4 prior to the end of the Eurodollar Period for any outstanding Eurodollar Rate Loan, then on the last day of such Eurodollar Period, such Eurodollar Rate Loan shall be automatically converted into an Alternate Base Rate Loan in the same amount.

2.2 Alternate Base Rate Loans. Each request by Borrower Representative for an Alternate Base Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 10:00 a.m. California time, on the date (which must be a Banking Day) immediately prior to the date of the requested Alternate Base Rate Loan. All Loans shall constitute Alternate Base Rate Loans unless properly designated as a Eurodollar Rate Loan or a Treasuries Rate Loan pursuant to Section 2.3 or 2.4.

2.3 Eurodollar Rate Loans.

(a) Each request by Borrower Representative for a Eurodollar Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for Loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 10:00 a.m., California time, at least three (3) Eurodollar Banking Days before the first day of the applicable Eurodollar Period.

(b) On the date which is two (2) Eurodollar Banking Days before the first day of the applicable Eurodollar Period, the Administrative Agent shall confirm its determination of the applicable Eurodollar Rate (which determination shall be conclusive in the absence of manifest error) and promptly shall give notice of the same to Borrower Representative and the Lenders by telephone or telecopier (and if by telephone, promptly confirmed by telecopier).

(c) Unless the Administrative Agent and the Requisite Lenders otherwise consent, no more than five (5) Eurodollar Rate Loans shall be outstanding at any one time.

(d) No Eurodollar Rate Loan may be requested during the continuation of a Default or Event of Default.

(e) Nothing contained herein shall require any Lender to fund any Eurodollar Rate Advance in the Designated Eurodollar Market.

2.4 Treasuries Rate Loans. Each request by Borrower Representative for a Treasuries Rate Loan shall be made pursuant to a Request for Loan (or telephonic or other request for loan referred to in the second sentence of Section 2.1(b), if applicable) received by the Administrative Agent, at the Administrative Agent's Office, not later than 10:00 a.m. California time, on the date (which must be a Banking Day) immediately prior to the date of the requested Treasuries Rate Loan.

2.5 Letters of Credit.

(a) The Existing Letters of Credit described inSchedule 2.4 shall be Letters of Credit for all purposes under this Agreement. Subject to the terms and conditions hereof, at any time and from time to time from the Closing Date through the Revolving Loan Maturity Date, the Issuing Lender shall issue such Letters of Credit under the Revolving Commitment as Borrower Representative may request by a Request for Letter of Credit; provided that (i) giving effect to all such Letters of Credit, the sum of (A) the aggregate principal amount outstanding under the Revolving Notes plus (B) the Aggregate Effective Amount of all outstanding Letters of Credit, does not exceed the then applicable Revolving Commitment and (ii) the Aggregate Effective Amount under all outstanding Letters of Credit does not exceed $10,000,000. Each Letter of Credit shall be in a form acceptable to the Issuing Lender. Unless all the Lenders otherwise consent in a writing delivered to the Administrative Agent, the term of any Letter of Credit shall not exceed one (1) year or extend beyond the Revolving Loan Maturity Date.

(b) Each Request for Letter of Credit shall be submitted to the Issuing Lender, with a copy to the Administrative Agent, at least two (2) Banking Days prior to the date upon which the related Letter of Credit is proposed to be issued. The Administrative Agent shall promptly notify the Issuing Lender whether such Request for Letter of Credit, and the issuance of a Letter of Credit pursuant thereto, conforms to the requirements of this Agreement. Upon issuance of a Letter of Credit, the Issuing Lender shall promptly notify the Administrative Agent, and the Administrative Agent shall promptly notify the Lenders, of the amount and terms thereof.

(c) Upon the issuance of a Letter of Credit, each Lender shall be deemed to have purchased a pro rata participation in such Letter of Credit from the Issuing Lender in an amount equal to that Lender's Pro Rata Share. Without limiting the scope and nature of each Lender's participation in any Letter of Credit, to the extent that the Issuing Lender has not been reimbursed by Borrowers for any payment required to be made by the Issuing Lender under any Letter of Credit, each Lender shall, pro rata according to its Pro Rata Share, reimburse the Issuing Lender through the Administrative Agent promptly upon demand for the amount of such payment. The obligation of each Lender to so reimburse the Issuing Lender shall be absolute and unconditional and shall not be affected by the occurrence of an Event of Default or any other occurrence or event. Any such reimbursement shall not relieve or otherwise impair the obligation of Borrowers to reimburse the Issuing Lender for the amount of any payment made by the Issuing Lender under any Letter of Credit together with interest as hereinafter provided.

(d) Borrowers agree to pay to the Issuing Lender through the Administrative Agent an amount equal to any payment made by the Issuing Lender with respect to each Letter of Credit within one (1) Banking Day after demand made by the Issuing Lender therefor, together with interest on such amount from the date of any payment made by the Issuing Lender at the rate applicable to Alternate Base Rate Loans for two (2) Banking Days and thereafter at the Default Rate. The principal amount of any such payment shall be used to reimburse the Issuing Lender for the payment made by it under the Letter of Credit and, to the extent that the Lenders have not reimbursed the Issuing Lender pursuant to Section 2.5(c), the interest amount of any such payment shall be for the account of the Issuing Lender. Each Lender that has reimbursed the Issuing Lender pursuant to Section 2.5(c) for its Pro Rata Share of any payment made by the Issuing Lender under a Letter of Credit shall thereupon acquire a pro rata participation, to the extent of such reimbursement, in the claim of the Issuing Lender against Borrowers for reimbursement of principal and interest under this Section 2.5(d) and shall share, in accordance with that pro rata participation, in any principal payment made by Borrowers with respect to such claim and in any interest payment made by Borrowers (but only with respect to periods subsequent to the date such Lender reimbursed the Issuing Lender) with respect to such claim.

(e) Borrower Representative may, pursuant to a Request for Loan, request that Advances be made pursuant to Section 2.1(a) to provide funds for the payment required by Section 2.5(d) and, for this purpose, the conditions precedent set forth in Article 8 shall not apply. The proceeds of such Advances shall be paid directly to the Issuing Lender to reimburse it for the payment made by it under the Letter of Credit.

(f) If Borrowers fail to make the payment required by Section 2.5(d) within the time period therein set forth, in lieu of the reimbursement to the Issuing Lender under Section 2.5(c) the Issuing Lender may (but is not required to), without notice to or the consent of Borrowers, instruct the Administrative Agent to cause Advances to be made by the Lenders under the Revolving Commitment in an aggregate amount equal to the amount paid by the Issuing Lender with respect to that Letter of Credit and, for this purpose, the conditions precedent set forth in Article 8 shall not apply. The proceeds of such Advances shall be paid directly to the Issuing Lender to reimburse it for the payment made by it under the Letter of Credit.

(g) The issuance of any supplement, modification, amendment, renewal, or extension to or of any Letter of Credit shall be treated in all respects the same as the issuance of a new Letter of Credit.

(h) The obligation of Borrowers to pay to the Issuing Lender the amount of any payment made by the Issuing Lender under any Letter of Credit shall be absolute, unconditional, and irrevocable, subject only to performance by the Issuing Lender of its obligations to Borrowers under Uniform Commercial Code Section 5109. Without limiting the foregoing, Borrowers' obligations shall not be affected by any of the following circumstances:

(i) any lack of validity or enforceability prior to its stated expiration date of the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto;

(ii) any amendment or waiver of or any consent to departure from the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, with the consent of Borrowers;

(iii) the existence of any claim, setoff, defense, or other rights which any Borrower may have at any time against the Issuing Lender, the Administrative Agent or any Lender, any beneficiary of the Letter of Credit (or any persons or entities for whom any such beneficiary may be acting) or any other Person, whether in connection with the Letter of Credit, this Agreement, or any other agreement or instrument relating thereto, or any unrelated transactions;

(iv) any demand, statement, or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid, or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever so long as any such document appeared substantially to comply with the terms of the Letter of Credit;

(v) payment by the Issuing Lender in good faith under the Letter of Credit against presentation of a draft or any accompanying document which does not strictly comply with the terms of the Letter of Credit;

(vi) the existence, character, quality, quantity, condition, packing, value or delivery of any Property purported to be represented by documents presented in connection with any Letter of Credit or any difference between any such Property and the character, quality, quantity, condition, or value of such Property as described in such documents;

(vii) the time, place, manner, order or contents of shipments or deliveries of Property as described in documents presented in connection with any Letter of Credit or the existence, nature and extent of any insurance relative thereto;

(viii) the solvency or financial responsibility of any party issuing any documents in connection with a Letter of Credit;

(ix) any failure or delay in notice of shipments or arrival of any Property;

(x) any error in the transmission of any message relating to a Letter of Credit not caused by the Issuing Lender, or any delay or interruption in any such message;

(xi) any error, neglect or default (other than gross negligence or willful misconduct) of any correspondent of the Issuing Lender in connection with a Letter of Credit;

(xii) any consequence arising from acts of God, war, insurrection, civil unrest, disturbances, labor disputes, emergency conditions or other similar causes beyond the control of the Issuing Lender;

(xiii) so long as the Issuing Lender in good faith determines that the contract or document appears substantially to comply with the terms of the Letter of Credit, the form, accuracy, genuineness or legal effect of any contract or document referred to in any document submitted to the Issuing Lender in connection with a Letter of Credit; and

(xiv) where the Issuing Lender has acted in good faith and observed general banking usage, any other circumstances whatsoever.

(i) The Issuing Lender shall be entitled to the protection accorded to the Administrative Agent pursuant to Section 10.6, with all necessary changes.

(j) The Uniform Customs and Practice for Documentary Credits, as published in its most current version by the International Chamber of Commerce, shall be deemed a part of this Section and shall apply to all Letters of Credit to the extent not inconsistent with applicable Law.

2.6 Voluntary Reduction of Revolving Commitment. Borrowers shall have the right, at any time and from time to time, without penalty or charge, except breakage with respect to Eurodollar Rate Loans, upon at least five (5) Banking Days' prior written notice by a Responsible Official of Borrower Representative to the Administrative Agent, voluntarily to reduce, permanently and irrevocably, in aggregate principal amounts in an integral multiple of $500,000 but not less than $5,000,000, or to terminate, all or a portion of the then undisbursed portion of the Revolving Commitment. The Administrative Agent shall promptly notify the Lenders of any reduction or termination of the Revolving Commitment under this Section.

2.7 Optional Termination of Revolving Commitment. Following the occurrence of a Change in Control, the Requisite Lenders may in their sole and absolute discretion elect, during the thirty (30) day period immediately subsequent to the later of (a) such occurrence or (b) the earlier of (i) receipt of Borrower Representative's written notice to the Administrative Agent of such occurrence or (ii) if no such notice has been received by the Administrative Agent, the date upon which the Administrative Agent has actual knowledge thereof, to terminate the Revolving Commitment, in which case the Revolving Commitment shall be terminated, and all outstanding Loans shall be repaid, effective on the date which is thirty (30) days subsequent to written notice from the Administrative Agent to Borrower Representative thereof.

2.8 Administrative Agent's Right to Assume Funds Available for Advances. Unless the Administrative Agent shall have been notified by any Lender no later than 10:00 a.m. on the Banking Day of the proposed funding by the Administrative Agent of any Loan that such

Lender does not intend to make available to the Administrative Agent such Lender's portion of the total amount of such Loan, the Administrative Agent may assume that such Lender has made such amount available to the Administrative Agent on the date of the Loan and the Administrative Agent may, in reliance upon such assumption, make available to Borrower Representative a corresponding amount. If the Administrative Agent has made funds available to Borrower Representative based on such assumption and such corresponding amount is not in fact made available to the Administrative Agent by such Lender, the Administrative Agent shall be entitled to recover such corresponding amount on demand from such Lender. If such Lender does not pay such corresponding amount forthwith upon the Administrative Agent's demand therefor, the Administrative Agent promptly shall notify Borrower Representative and Borrower Representative shall pay such corresponding amount to the Administrative Agent. The Administrative Agent also shall be entitled to recover from such Lender interest on such corresponding amount in respect of each day from the date such corresponding amount was made available by the Administrative Agent to Borrower Representative to the date such corresponding amount is recovered by the Administrative Agent, at a rate per annum equal to the daily Federal Funds Rate. Nothing herein shall be deemed to relieve any Lender from its obligation to fulfill its share of the Revolving Commitment or to prejudice any rights which the Administrative Agent or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

2.9 Collateral. The Obligations shall be secured by a first priority (subject to Liens permitted by Section6.9) perfected Lien on the Collateral pursuant to the Security Agreements.

2.10 Audits; Appraisals. Credit Parties acknowledge that the Administrative Agent may conduct or obtain, at Lenders' expense (unless an Event of Default has occurred and is continuing, in which case at Borrowers' expense), periodic audits (e.g., audits of Accounts, books and records, accounting systems, etc.) and appraisals at such intervals as the Administrative Agent may reasonably require; provided, however, that, unless an Event of Default has occurred and is continuing (in which case there shall be no limit on the number of audits that the Administrative Agent may conduct), the Administrative Agent shall conduct no more than one (1) such audit per calendar year.

2.11 Borrower Representative. Each Borrower hereby designates Borrower Representative as its representative and agent on its behalf for the purposes of issuing notices and requests for Loans, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, requesting Letters of Credit, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any Borrower or Borrowers under the Loan Documents. Borrower Representative hereby accepts such appointment. Administrative Agent and each Lender may regard any notice or other communication pursuant to any Loan Document from Borrower Representative as a notice or communication from all Borrowers. Each warranty, covenant, agreement and undertaking made on its behalf by Borrower Representative shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent as if the same had been made directly by such Borrower.

Article 3.
PAYMENTS AND FEES

3.1 Principal and Interest.

(a) Interest shall be payable on the outstanding daily unpaid principal amount of each Advance from the date thereof until payment in full is made and shall accrue and be payable at the rates set forth or provided for herein before and after Default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Law, with interest on overdue interest at the Default Rate to the fullest extent permitted by applicable Laws.

(b) Interest accrued on each Alternate Base Rate Loan shall be due and payable on each Quarterly Payment Date. Except as otherwise provided in Sections 3.1(e) and 3.8, the unpaid principal amount of any Alternate Base Rate Loan shall bear interest at a fluctuating rate per annum equal to the Alternate Base Rate plus the Applicable Alternate Base Rate Margin. Each change in the interest rate under this Section 3.1(b) due to a change in the Alternate Base Rate shall take effect simultaneously with the corresponding change in the Alternate Base Rate.

(c) Interest accrued on each Eurodollar Rate Loan which is for a term of three months or less shall be due and payable on the last day of the related Eurodollar Period. Interest accrued on each other Eurodollar Rate Loan shall be due and payable on the date which is three months after the date such Eurodollar Rate Loan was made (and, in the event that all of the Lenders have approved a Eurodollar Period of longer than six months, every three months thereafter through the last day of the Eurodollar Period) and on the last day of the related Eurodollar Period. Except as otherwise provided in Sections 3.1(e) and 3.8, the unpaid principal amount of any Eurodollar Rate Loan shall bear interest at a rate per annum equal to the Eurodollar Rate for that Eurodollar Rate Loan plus the Applicable Eurodollar Rate Margin.

(d) Interest accrued on each Treasuries Rate Loan shall be due and payable on each Quarterly Payment Date. Except as otherwise provided in Sections 3.1(e) and 3.8, the unpaid principal amount of any Treasuries Rate Loan shall bear interest at a fixed rate per annum equal to the Treasuries Rate in effect on the date such Treasuries Rate Loan is made plus the Applicable Treasuries Rate Margin. Each change in the interest rate under this Section 3.1(d) due to a change in the Treasuries Rate shall take effect simultaneously with the corresponding change in the Treasuries Rate.

(e) During the existence of an Event of Default, the Loans shall bear interest at a rate per annum equal to the sum of (i) the interest rate specified in Section 3.1(b), Section 3.1(c) or Section 3.1(d), whichever is applicable, plus (ii) two (2) percentage points.

(f) If not sooner paid, the principal Indebtedness evidenced by the Notes shall be payable as follows:

(i) the amount, if any, by which the sum of (A) the principal Indebtedness evidenced by the Revolving Notes plus (B) the Aggregate Effective Amount of all outstanding Letters of Credit at any time exceeds then applicable Revolving Commitment shall be payable immediately; and

(ii) the principal Indebtedness evidenced by the Revolving Notes shall in any event be payable on the Revolving Loan Maturity Date.

(g) The principal Indebtedness evidenced by the Notes may, at any time and from time to time, voluntarily be paid or prepaid in whole or in part without premium or penalty, except that with respect to any voluntary prepayment under this Subsection, (i) any partial prepayment of a Revolving Loan shall be not less than $100,000 and shall be an integral multiple of $50,000 (or otherwise paid in full), (ii) the Administrative Agent shall have received written notice of any prepayment by 10:00 a.m. California time on the date that is one (1) Banking Day before the date of prepayment (which must be a Banking Day) in the case of an Alternate Base Rate Loan or a Treasuries Rate Loan, and, in the case of a Eurodollar Rate Loan, three (3) Banking Days before the date of prepayment, which notice shall identify the date and amount of the prepayment and the Loan(s) being prepaid, (iii) each prepayment of principal on any Eurodollar Rate Loan shall be accompanied by payment of interest accrued to the date of payment on the amount of principal paid, and (iv) any payment or prepayment of all or any part of any Eurodollar Rate Loan on a day other than the last day of the applicable Eurodollar Period shall be subject to Section 3.6(e).

3.2 Arranger and Agency Fees. On the Closing Date and on each other date upon which a fee is payable, Borrower shall pay to the Arranger and the Administrative Agent such fees as heretofore agreed upon by letter agreement between Borrower and the Arranger. The fees paid to the Arranger and the Administrative Agent, are solely for their own account and are nonrefundable.

3.3 Unused Revolving Commitment Fee. From the Closing Date through the Revolving Loan Maturity Date, when the average quarterly (i) principal amount of outstanding Advances plus (ii) the Aggregate Effective Amount is less than Thirty Million Dollars ($30,000,000), Borrowers shall pay to the Administrative Agent, for the ratable accounts of the Lenders pro rata according to their Pro Rata Share of the Revolving Commitment, a commitment fee equal to the Applicable Commitment Fee Rate per annum times the average daily amount by which the Revolving Commitment exceeds (i) the aggregate daily principal amount of outstanding Advances plus (ii) the Aggregate Effective Amount. The commitment fee shall be payable quarterly in arrears as of each Quarterly Payment Date within fifteen (15) days after receipt by Borrower Representative of an invoice therefor from the Administrative Agent.

3.4 Letter of Credit Fees. With respect to each Letter of Credit, Borrowers shall pay the following fees:

(a) concurrently with the issuance of each Standby Letter of Credit, a letter of credit issuance fee to the Issuing Lender for the sole account of the Issuing

Lender, in an amount set forth in the letter agreement between Borrowers (or, Borrower Representative) and the Issuing Lender; and

(b) concurrently with the issuance of each Standby Letter of Credit, to the Administrative Agent for the ratable account of the Lenders in accordance with their Pro Rata Share of the Revolving Commitment, a standby letter of credit fee in an amount equal to the Applicable Eurodollar Rate Margin then in effect per annum times the face amount of such Standby Letter of Credit through the termination or expiration of such Standby Letter of Credit, which the Administrative Agent shall promptly pay to the Lenders.

Each of the fees payable with respect to Letters of Credit under this Section is earned when due and is nonrefundable.

3.5 Increased Commitment Costs. If any Lender shall determine in good faith that the introduction after the Closing Date of any applicable law, rule, regulation or guideline regarding capital adequacy, or any change therein or any change in the interpretation or administration thereof by any central bank or other Governmental Agency charged with the interpretation or administration thereof, or compliance by such Lender (or its Eurodollar Lending Office) or any corporation controlling such Lender, with any request, guideline or directive regarding capital adequacy (whether or not having the force of Law) of any such central bank or other authority not imposed as a result of such Lender's or such corporation's failure to comply with any other Laws, affects or would affect the amount of capital required or expected to be maintained by such Lender or any corporation controlling such Lender and (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy and such Lender's desired return on capital) determines in good faith that the amount of such capital is increased, or the rate of return on capital is reduced, as a consequence of its obligations under this Agreement, then, within five (5) Banking Days after demand of such Lender, Borrowers shall pay to such Lender, from time to time as specified in good faith by such Lender, additional amounts sufficient to compensate such Lender in light of such circumstances, to the extent reasonably allocable to such obligations under this Agreement, provided that Borrowers shall not be obligated to pay any such amount which arose prior to the date which is ninety (90) days preceding the date of such demand or is attributable to periods prior to the date which is ninety (90) days preceding the date of such demand. Each Lender's determination of such amounts shall be conclusive in the absence of manifest error.

3.6 Eurodollar Costs and Related Matters.

(a) In the event that any Governmental Agency imposes on any Lender any reserve or comparable requirement (including any emergency, supplemental or other reserve) with respect to the Eurodollar Obligations of that Lender, Borrowers shall pay that Lender within five (5) Banking Days after demand all amounts necessary to compensate such Lender (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market) in respect of the imposition of such reserve requirements (provided, that Borrowers shall not be obligated to pay any such amount which arose prior to the date which is one year preceding the date of such demand or is attributable to periods prior to the date which is

one year preceding the date of such demand). The Lender's determination of such amount shall be conclusive in the absence of manifest error.

(b) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance:

(1) shall subject any Lender or its Eurodollar Lending Office to any tax, duty or other charge or cost with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, or shall change the basis of taxation of payments to any Lender attributable to the principal of or interest on any Eurodollar Rate Advance or any other amounts due under this Agreement in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances, excluding (i) taxes imposed on or measured in whole or in part by its overall net income by (A) any jurisdiction (or political subdivision thereof) in which it is organized or maintains its principal office or Eurodollar Lending Office or (B) any jurisdiction (or political subdivision thereof) in which it is "doing business" and (ii) any withholding taxes or other taxes based on gross income imposed by the United States of America for any period with respect to which it has failed to provide Borrower Representative with the appropriate form or forms required by Section 12.21, to the extent such forms are then required by applicable Laws;

(2) shall impose, modify or deem applicable any reserve not applicable or deemed applicable on the date hereof (including any reserve imposed by the Board of Governors of the Federal Reserve System, special deposit, capital or similar requirements against assets of, deposits with or for the account of, or credit extended by, any Lender or its Eurodollar Lending Office); or

(3) shall impose on any Lender or its Eurodollar Lending Office or the Designated Eurodollar Market any other condition affecting any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans, its obligation to make Eurodollar Rate Advances or this Agreement, or shall otherwise affect any of the same;

and the result of any of the foregoing, as determined in good faith by such Lender, increases the cost to such Lender or its Eurodollar Lending Office of making or maintaining any Eurodollar Rate Advance or in respect of any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances or reduces the amount of any sum received or receivable by such Lender or its Eurodollar Lending Office with respect to any Eurodollar Rate Advance, any of its Notes evidencing Eurodollar Rate Loans or its obligation to make Eurodollar Rate Advances (assuming such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market), then, within five (5) Banking Days after demand by such Lender (with a copy to the Administrative Agent), Borrowers shall pay to such Lender such additional amount or amounts as will

compensate such Lender for such increased cost or reduction (determined as though such Lender's Eurodollar Lending Office had funded 100% of its Eurodollar Rate Advance in the Designated Eurodollar Market); provided, that Borrowers shall not be obligated to pay any such amount which arose prior to the date which is ninety (90) days preceding the date of such demand or is attributable to periods prior to the date which is ninety (90) days preceding the date of such demand. A statement of any Lender claiming compensation under this subsection shall be conclusive in the absence of manifest error.

(c) If, after the date hereof, the existence or occurrence of any Special Eurodollar Circumstance shall, in the good faith opinion of any Lender, make it unlawful or impossible for such Lender or its Eurodollar Lending Office to make, maintain or fund its portion of any Eurodollar Rate Loan, or materially restrict the authority of such Lender to purchase or sell, or to take deposits of, Dollars in the Designated Eurodollar Market, or to determine or charge interest rates based upon the Eurodollar Rate, and such Lender shall so notify the Administrative Agent, then such Lender's obligation to make Eurodollar Rate Advances shall be suspended for the duration of such illegality or impossibility and the Administrative Agent forthwith shall give notice thereof to the other Lenders and Borrower Representative. Upon receipt of such notice, the outstanding principal amount of such Lender's Eurodollar Rate Advances, together with accrued interest thereon, automatically shall be converted to Alternate Base Rate Advances on either (1) the last day of the Eurodollar Period(s) applicable to such Eurodollar Rate Advances if such Lender may lawfully continue to maintain and fund such Eurodollar Rate Advances to such day(s) or (2) immediately if such Lender may not lawfully continue to fund and maintain such Eurodollar Rate Advances to such day(s), provided that in such event the conversion shall not be subject to payment of a prepayment fee under Section 3.6(e). Each Lender agrees to endeavor promptly to notify Borrower Representative of any event of which it has actual knowledge, occurring after the Closing Date, which will cause that Lender to notify the Administrative Agent under this Section, and agrees to take such action (including to designate a different Eurodollar Lending Office) if such action or designation will avoid the need for such notice and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender. In the event that any Lender is unable, for the reasons set forth above, to make, maintain or fund its portion of any Eurodollar Rate Loan, such Lender shall fund such amount as an Alternate Base Rate Advance for the same period of time, and such amount shall be treated in all respects as an Alternate Base Rate Advance. Any Lender whose obligation to make Eurodollar Rate Advances has been suspended under this Section shall promptly notify the Administrative Agent and Borrower Representative of the cessation of the Special Eurodollar Circumstance which gave rise to such suspension.

(d) If, with respect to any proposed Eurodollar Rate Loan:

(1) the Administrative Agent reasonably determines that, by reason of circumstances affecting the Designated Eurodollar Market generally that are beyond the reasonable control of the Lenders, deposits in Dollars (in the applicable amounts) are not being offered to any Lender in the Designated Eurodollar Market for the applicable Eurodollar Period; or

(2) the Requisite Lenders advise the Administrative Agent that the Eurodollar Rate as determined by the Administrative Agent (i) does not represent the effective pricing to such Lenders for deposits in Dollars in the Designated Eurodollar Market in the relevant amount for the applicable Eurodollar Period, or (ii) will not adequately and fairly reflect the cost to such Lenders of making the applicable Eurodollar Rate Advances;

then the Administrative Agent forthwith shall give notice thereof to Borrower Representative and the Lenders, whereupon until the Administrative Agent notifies Borrower Representative that the circumstances giving rise to such suspension no longer exist, the obligation of the Lenders to make any future Eurodollar Rate Advances shall be suspended.

(e) Upon payment or prepayment of any Eurodollar Rate Advance (other than as the result of a conversion required under Section 3.6(c))on a day other than the last day in the applicable Eurodollar Period (whether voluntarily, involuntarily, by reason of acceleration, or otherwise), or upon the failure of Borrowers (for a reason other than the breach by a Lender of its obligation pursuant to Section 2.1(a) to make an Advance) to borrow on the date or in the amount specified for a Eurodollar Rate Loan in any Request for Loan, Borrowers shall pay to the appropriate Lender within five (5) Banking Days after demand a prepayment fee or failure to borrow fee, as the case may be (determined as though 100% of the Eurodollar Rate Advance had been funded in the Designated Eurodollar Market) equal to the sum of:

(1) $250; plus

(2) the amount, if any, by which (i) the additional interest would have accrued on the amount prepaid or not borrowed at the Eurodollar Rate plus the Applicable Eurodollar Rate Margin if that amount had remained or been outstanding through the last day of the applicable Eurodollar Period exceeds (ii) the interest that the Lender could recover by placing such amount on deposit in the Designated Eurodollar Market for a period beginning on the date of the prepayment or failure to borrow and ending on the last day of the applicable Eurodollar Period (or, if no deposit rate quotation is available for such period, for the most comparable period for which a deposit rate quotation may be obtained); plus

(3) all out of pocket expenses incurred by the Lender reasonably attributable to such payment, prepayment or failure to borrow.

Each Lender's determination of the amount of any prepayment fee payable under this Section shall be conclusive in the absence of manifest error.

(f) Each Lender agrees to endeavor promptly to notify Borrower Representative of any event of which it has actual knowledge, occurring after the Closing Date, which will entitle such Lender to compensation pursuant to clause (a) or clause (b) of this Section, and agrees to take such action (including to designate a different

Eurodollar Lending Office) if such action or designation will avoid the need for or reduce the amount of such compensation and will not, in the good faith judgment of such Lender, otherwise be materially disadvantageous to such Lender. Any request for compensation by a Lender under this Section shall set forth the basis upon which it has been determined that such an amount is due from Borrowers, a calculation of the amount due, and a certification that the corresponding costs have been incurred by the Lender.

(g) Upon the receipt by any Borrower from any Lender (an "Affected Lender") of a claim for compensation under Section 3.5, 3.6(a) or 3.6(b), or if any Borrower is required to pay any amount to any Affected Lender or the Administrative Agent for the account of an Affected Lender pursuant to Section 3.5, 3.6(a) or 3.6(b), or such Affected Lender has notified Administrative Agent pursuant to Section 3.6(c) that such Affected Lender is unable to make Eurodollar Rate Loans and, in each case (if applicable), such Affected Lender has not changed the jurisdiction of its Eurodollar Lending Office so as to eliminate such additional payment by the Borrowers within 30 days after a request by the Borrowers to effect such change, the Borrowers may: (i) request the Affected Lender to use its best efforts to obtain a replacement bank or financial institution satisfactory to the Borrower Representative (which shall, in any event, be an Eligible Assignee) to acquire and assume all or a ratable part of all of such Affected Lender Loans and Revolving Commitment (a "Replacement Lender"); (ii) request one or more of the other Lenders to acquire and assume all or part of such Affected Lender's Loans and Revolving Commitment; or (iii) designate a Replacement Lender. Any such designation of a Replacement Lender under clause (i) or (iii) or of an existing Lender under clause (ii) shall be subject to the prior written consent of the Administrative Agent (which consent shall not be unreasonably withheld or delayed), and shall be effected in accordance with all requirements for an assignment set forth in Section 12.8. Without limiting the generality of the foregoing, the Borrowers agree to pay to each Affected Lender any amounts arising under Section 3.6(e) by virtue of such Affected Lender's replacement on a date other than the last day of an Interest Period, with respect to any Eurodollar Rate Loans then outstanding.

3.7 Late Payments. If any installment of principal or interest or any fee or cost or other amount payable under any Loan Document to the Administrative Agent or any Lender is not paid when due, it shall thereafter bear interest at a fluctuating interest rate per annum at all times equal to the sum of the Alternate Base Rate plus two percent (2.00%), to the fullest extent permitted by applicable Laws. Accrued and unpaid interest on past due amounts (including, without limitation, interest on past due interest) shall be compounded monthly, on the last day of each calendar month, to the fullest extent permitted by applicable Laws.

3.8 Computation of Interest and Fees. Computation of interest and fees under this Agreement shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Interest shall accrue on each Loan for the day on which the Loan is made; interest shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid. Any Loan that is repaid on the same day on which it is made shall bear interest for one day. Notwithstanding anything in this Agreement to the contrary, interest in excess of the maximum amount permitted by applicable Laws shall not accrue or be payable hereunder or under the Notes, and any amount paid as interest hereunder or under the Notes which would

otherwise be in excess of such maximum permitted amount shall instead be treated as a payment of principal.

3.9 Non Banking Days. If any payment to be made by a Borrower or any other Party under any Loan Document shall come due on a day other than a Banking Day, payment shall instead be considered due on the next succeeding Banking Day and the extension of time shall be reflected in computing interest and fees.

3.10 Manner and Treatment of Payments.

(a) Each payment hereunder (except payments pursuant to Sections 3.5, 3.6, 12.3, 12.11 and 12.22) or on the Notes or under any other Loan Document shall be made to the Administrative Agent at the Administrative Agent's Office for the account of each of the Lenders or the Administrative Agent, as the case may be, in immediately available funds not later than 12:00 p.m. Noon, California time, on the day of payment (which must be a Banking Day). All payments received after such time, on any Banking Day, shall be deemed received on the next succeeding Banking Day. The amount of all payments received by the Administrative Agent for the account of each Lender shall be immediately paid by the Administrative Agent to the applicable Lender in immediately available funds and, if such payment was received by the Administrative Agent by 12:00 p.m. Noon, California time, on a Banking Day and not so made available to the account of a Lender on that Banking Day, the Administrative Agent shall reimburse that Lender for the cost to such Lender of funding the amount of such payment at the Federal Funds Rate. All payments shall be made in lawful money of the United States of America.

(b) Borrowers hereby authorize the Administrative Agent to debit the Designated Deposit Account to effect any payment due to the Lenders or the Administrative Agent pursuant to this Agreement. Any resulting overdraft in such account shall be payable by Borrowers to the Administrative Agent on the next following Banking Day.

(c) Each payment or prepayment on account of any Loan shall be applied pro rata according to the outstanding Advances made by each Lender comprising such Loan.

(d) Each Lender shall use its best efforts to keep a record (in writing or by an electronic data entry system) of Advances made by it and payments received by it with respect to each of its Notes and, subject to Section 10.6(g), such record shall, as against Borrowers, be presumptive evidence of the amounts owing. Notwithstanding the foregoing sentence, the failure by any Lender to keep such a record shall not affect Borrowers' obligation to pay the Obligations.

(e) Each payment of any amount payable by a Borrower or any other Party under this Agreement or any other Loan Document shall be made free and clear of, and without reduction by reason of, any taxes, assessments or other charges imposed by any Governmental Agency, central bank or comparable authority on any Lender,

excluding (i) taxes imposed on or measured in whole or in part by such Lender's overall net income by (A) any jurisdiction (or political subdivision thereof) in which such Lender is organized or maintains its principal office or Eurodollar Lending Office or (B) any jurisdiction (or political subdivision thereof) in which such Lender is "doing business" and (ii) any withholding taxes or other taxes based on gross income imposed by the United States of America for any period with respect to which such Lender has failed to provide Borrower with the appropriate form or forms required by Section 12.21, to the extent such forms are then required by applicable Laws (all such non-excluded taxes, assessments or other charges being hereinafter referred to as "Taxes"). To the extent that a Borrower is obligated by applicable Laws to make any deduction or withholding on account of Taxes from any amount payable to any Lender under this Agreement, such Borrower shall (i) make such deduction or withholding and pay the same to the relevant Governmental Agency and (ii) pay such additional amount to that Lender as is necessary to result in that Lender's receiving a net after-Tax amount equal to the amount to which that Lender would have been entitled under this Agreement absent such deduction or withholding. If and when receipt of such payment results in an excess payment or credit to that Lender on account of such Taxes, that Lender shall promptly refund such excess to Borrower Representative.

3.11 Funding Sources. Nothing in this Agreement shall be deemed to obligate any Lender to obtain the funds for any Loan or Advance in any particular place or manner or to constitute a representation by any Lender that it has obtained or will obtain the funds for any Loan or Advance in any particular place or manner.

3.12 Failure to Charge Not Subsequent Waiver. Any decision by the Administrative Agent or any Lender not to require payment of any interest (including interest arising under Section 3.7), fee, cost or other amount payable under any Loan Document, or to calculate any amount payable by a particular method, on any occasion shall in no way limit or be deemed a waiver of the Administrative Agent's or such Lender's right to require full payment of any interest (including interest arising under Section 3.7), fee, cost or other amount payable under any Loan Document, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

3.13 Administrative Agent's Right to Assume Payments Will be Made. Unless the Administrative Agent shall have been notified by Borrower Representative prior to the date on which any payment to be made by Borrowers hereunder is due that Borrowers do not intend to remit such payment, the Administrative Agent may, in its discretion, assume that Borrowers have remitted such payment when so due and the Administrative Agent may, in its discretion and in reliance upon such assumption, make available to each Lender on such payment date an amount equal to such Lender's share of such assumed payment. If Borrowers have not in fact remitted such payment to the Administrative Agent, each Lender shall forthwith on demand repay to the Administrative Agent the amount of such assumed payment made available to such Lender, together with interest thereon in respect of each day from and including the date such amount was made available by the Administrative Agent to such Lender to the date such amount is repaid to the Administrative Agent at the Federal Funds Rate.

3.14 Fee Determination Detail. The Administrative Agent, and any Lender, shall provide reasonable detail to Borrower Representative regarding the manner in which the amount of any payment to the Administrative Agent and the Lenders, or that Lender, under Article 3 has been determined, concurrently with demand for such payment.

3.15 Survivability. All of Borrowers' obligations under Sections 3.5 and 3.6 shall survive for the six (6) month period following the date on which the Revolving Commitment is terminated and all Loans hereunder are fully paid, and Borrowers shall remain obligated thereunder for all claims under such Sections made by any Lender to any Borrower prior to the expiration of such period.

Article 4.
REPRESENTATIONS AND WARRANTIES

Parent, on a Consolidated Basis, except as otherwise indicated, represents and warrants to the Administrative Agent and each of the Lenders that:

4.1 Existence and Qualification; Power; Compliance With Laws. Each Credit Party: is a corporation duly formed, validly existing and in good standing under the Laws of state of its incorporation; is duly qualified or registered to transact business and is in good standing in California and each other jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification or registration necessary, except where the failure so to qualify or register and to be in good standing would not constitute a Material Adverse Effect; and has all requisite power and authority to conduct its business, to own and lease its Properties and to execute and deliver each Loan Document to which it is a Party and to perform its Obligations. The chief executive offices of each Credit Party is located in California. All outstanding shares of capital stock of each Credit Party are duly authorized, validly issued, fully paid and non assessable, and no holder thereof has any enforceable right of rescission under any applicable state or federal securities Laws. Each Credit Party is in compliance with all Laws and other legal requirements applicable to its business, has obtained all authorizations, consents, approvals, orders, licenses and permits from, and has accomplished all filings, registrations and qualifications with, or obtained exemptions from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business, except where the failure so to comply, obtain authorizations, etc., file, register, qualify or obtain exemptions does not constitute a Material Adverse Effect.

4.2 Authority; Compliance With Other Agreements and Instruments and Government Regulations. The execution, delivery and performance by each Credit Party of the Loan Documents to which it is a Party have been duly authorized by all necessary corporate action, and do not and will not:

(a) Require any consent or approval not heretofore obtained of any partner, director, stockholder, security holder or creditor of such Party;

(b) Violate or conflict with any provision of such Party's charter, articles or certificate of incorporation, bylaws, articles or certificate of organization, operating agreement, or other organizational documents, as applicable;

(c) Result in or require the creation or imposition of any Lien (other than pursuant to the Loan Documents) or Right of Others upon or with respect to any Property now owned or leased or hereafter acquired by such Party;

(d) Violate any Requirement of Law applicable to such Party;

(e) Result in a breach of or constitute a default under, or cause or permit the acceleration of any obligation owed under, any indenture or loan or credit agreement or any other Contractual Obligation to which such Party is a party or by which such Party or any of its Property is bound or affected;

and such Party is not in violation of, or default under, any Requirement of Law or Contractual Obligation, or any indenture, loan or credit agreement described in Section 4.2(e), in any respect that constitutes a Material Adverse Effect.

4.3 No Governmental Approvals Required. Except as previously obtained or made, and except with respect to the filings required with respect to perfection of the security interests granted hereunder, no authorization, consent, approval, order, license or permit from, or filing, registration or qualification with, any Governmental Agency is or will be required to authorize or permit under applicable Laws the execution, delivery and performance by any Credit Party of the Loan Documents to which it is a Party.

4.4 Subsidiaries.

(a) As of the Closing Date and the delivery of each Compliance Certificate thereafter, Schedule 4.4 hereto correctly sets forth the names, form of legal entity, number of shares of capital stock or membership or other equity interests, as applicable, issued and outstanding, number of shares of capital stock or membership or other equity interests, as applicable, of Domestic Subsidiaries owned by any Credit Party (specifying such owner) and jurisdictions of organization of all such Persons; and lists, in an organizational chart format, Parent and all Subsidiaries of Parent. Except as described in Schedule 4.4 or as is not otherwise reasonably expected to result in a Material Adverse Effect, no Credit Party owns any capital stock, membership interest, other equity interest or debt security which is convertible, or exchangeable, for capital stock, membership interests or other equity interest in any domestic Person. Unless otherwise indicated in Schedule 4.4, all of the outstanding shares of capital stock, all of the outstanding membership interests or all of the units of other equity interest, as the case may be, of each direct Domestic Subsidiary are owned of record and beneficially by the respective Credit Party, there are no outstanding options, warrants or other rights to purchase capital stock of, or membership interests or other equity interests in, any such Subsidiary, and all such shares or equity interests so owned are duly authorized, validly issued, fully paid and non-assessable, and were issued in compliance with all applicable state and federal securities and other Laws, and are free and clear of all Liens, except for Permitted Encumbrances.

(b) Each Domestic Subsidiary is a legal entity of the type described in Schedule 4.4 duly formed, validly existing and in good standing under the Laws of its jurisdiction of organization, is duly qualified to do business as a foreign organization and is in good standing as such in each jurisdiction in which the conduct of its business or the ownership or leasing of its Properties makes such qualification necessary (except where the failure to be so duly qualified and in good standing does not constitute a Material Adverse Effect), and has all requisite power and authority to conduct its business and to own and lease its Properties.

(c) Each Domestic Subsidiary is in compliance with all Laws and other requirements applicable to its business and has obtained all authorizations, consents, approvals, orders, licenses, and permits from, and each such Subsidiary has accomplished all filings, registrations, and qualifications with, or obtained exemptions

from any of the foregoing from, any Governmental Agency that are necessary for the transaction of its business except where the failure to be in such compliance, obtain such authorizations, consents, approvals, orders, licenses, and permits, accomplish such filings, registrations, and qualifications, or obtain such exemptions, does not constitute a Material Adverse Effect.

4.5 Financial Statements. Borrower Representative has furnished to the Lenders (a) the audited financial statements of Parent and its Subsidiaries, on a consolidated basis, for the Fiscal Year ended June 30, 2005, and (b) the unaudited balance sheet and statement of operations of Parent and its Subsidiaries, on a consolidated basis, for the six-month period ended December 31, 2005 (and on a consolidating basis for Parent and its Subsidiaries for the twelve-month period ended June 30, 2005). The financial statements described in clause (a) fairly present in all material respects the financial condition, results of operations and changes in financial position of Parent and its Subsidiaries on a consolidated basis, and the balance sheet and statement of operations described in clause (b) fairly present the financial condition and results of operations of Parent and its Subsidiaries, on a consolidating basis, as of such dates and for such periods in conformity with GAAP consistently applied, subject only to normal year end accruals and audit adjustments.

4.6 No Other Liabilities; No Material Adverse Changes. No Credit Party has any material liability or material contingent liability required under GAAP to be reflected or disclosed, and not reflected or disclosed, in the balance sheet described in Section 4.5(b), other than liabilities and contingent liabilities arising in the ordinary course of business since the date of such financial statements. As of the Closing Date, no circumstance or event has occurred that constitutes a Material Adverse Effect since December 31, 2005.

4.7 Title to and Location of Property. Each Credit Party has valid title to the Property (other than assets which are the subject of a Capital Lease Obligation) reflected in the balance sheet described in clause (b) of Section 4.5, other than items of Property or exceptions to title which are in each case immaterial and Property subsequently sold or disposed of in the ordinary course of business. Such Property is free and clear of all Liens and Rights of Others, other than Liens or Rights of Others described in Schedule 4.7A and Permitted Encumbrances, other encumbrances permitted pursuant to Section 6.9, and Permitted Rights of Others. All Property of the Credit Parties is located at one of the locations described in Schedule 4.7B.

4.8 Intangible Assets. The Credit Parties own, or possess the right to use to the extent necessary in their respective businesses, all material trademarks, trade names, copyrights, patents, patent rights, computer software, licenses and other Intangible Assets that are used in the conduct of their businesses as now operated, and no such Intangible Asset, to the best knowledge of Borrowers, conflicts with the valid trademark, trade name, copyright, patent, patent right or Intangible Asset of any other Person to the extent that such conflict constitutes a Material Adverse Effect. Except as set forth in Schedule 4.8, no Credit Party has used any trade name, trade style or "dba" during the five year period ending on the Closing Date.

4.9 Public Utility Holding Company Act. No Credit Party is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding

company" or of a "subsidiary company" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

4.10 Litigation. Except for (a) any matter fully covered as to subject matter and amount (subject to applicable deductibles and retentions) by insurance for which the insurance carrier has not asserted lack of subject matter coverage or reserved its right to do so, (b) any matter, or series of related matters, involving a claim against any Credit Party of less than $2,000,000, (c) matters of an administrative nature not involving a claim or charge against any Credit Party and (d) matters set forth in Schedule 4.10, there are no actions, suits, proceedings or investigations pending as to which any Credit Party has been served or has received notice or, to the best knowledge of the Credit Parties, threatened against or affecting any Credit Party or any Property of any of them before any Governmental Agency that, if decided adversely, is reasonably expected to have a Material Adverse Effect.

4.11 Binding Obligations. Each of the Loan Documents to which a Credit Party is a Party will, when executed and delivered by such Party, constitute the legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, except as enforcement may be limited by Debtor Relief Laws or equitable principles relating to the granting of specific performance and other equitable remedies as a matter of judicial discretion.

4.12 No Default. No event has occurred and is continuing that is a Default or Event of Default.

4.13 ERISA.

(a) With respect to each Pension Plan:

(i) such Pension Plan complies in all material respects with ERISA and any other applicable Laws to the extent that noncompliance could reasonably be expected to have a Material Adverse Effect;

(ii) such Pension Plan has not incurred any "accumulated funding deficiency" (as defined in Section 302 of ERISA) that could reasonably be expected to have a Material Adverse Effect;

(iii) no "reportable event" (as defined in Section 4043 of ERISA, butexcluding such events as to which the PBGC has by regulation waived the requirement therein contained that it be notified within thirty days of the occurrence of such event) has occurred that could reasonably be expected to have a Material Adverse Effect; and

(iv) no Credit Party nor any of their Domestic Subsidiaries has engaged in any non exempt "prohibited transaction" (as defined in Section 4975 of the Code) that could reasonably be expected to have a Material Adverse Effect.

(b) No Credit Party nor any of their Domestic Subsidiaries has incurred or expects to incur any withdrawal liability to any Multiemployer Plan that could reasonably be expected to have a Material Adverse Effect.

4.14 Regulation U; Investment Company Act. No part of the proceeds of any Loan hereunder will be used to purchase or carry, or to extend credit to others for the purpose of purchasing or carrying, any Margin Stock in violation of Regulation U. No Credit Party nor any of their Subsidiaries is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

4.15 Disclosure. No written statement made by a Senior Officer to the Administrative Agent or any Lender in connection with this Agreement, or in connection with any Loan, as of the date thereof contained any untrue statement of a material fact or omitted a material fact necessary to make the statement made not misleading in light of all the circumstances existing at the date the statement was made.

4.16 Tax Liability. Parent, on a Consolidated Basis, has filed all annual tax returns which are required to be filed, and have paid, or made provision for the payment of, all annual taxes with respect to the periods, Property or transactions covered by said returns, or pursuant to any assessment received by such Person, except (a) such taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate reserves have been established and maintained as required by GAAP, and (b) immaterial taxes so long as no material Property of any Credit Party or any of their Significant Subsidiaries is at impending risk of being seized, levied upon or forfeited.

4.17 Projections. As of the Closing Date, to the best knowledge of the Credit Parties, the assumptions set forth in the Projections are reasonable and consistent with each other and with all facts known to the Credit Parties, and the Projections are reasonably based on such assumptions. Nothing in this Section 4.17 shall be construed as a representation or covenant that the Projections in fact will be achieved.

4.18 Hazardous Materials. Except as described in Schedule 4.18, as of the Closing Date (a) no Credit Party at any time has disposed of, discharged, released or threatened the release of any Hazardous Materials on, from or under the Real Property in violation of any Hazardous Materials Law that would individually or in the aggregate constitute a Material Adverse Effect, (b) no condition exists that violates any Hazardous Material Law affecting any Real Property except for such violations that would not individually or in the aggregate constitute a Material Adverse Effect, (c) no Real Property or any portion thereof is or has been utilized by any Credit Party as a site for the manufacture of any Hazardous Materials and (d) to the extent that any Hazardous Materials are used, generated or stored by any Credit Party on any Real Property, or transported to or from such Real Property by any Credit Party, such use, generation, storage and transportation are in compliance with all Hazardous Materials Laws except for such non-compliance that would not constitute a Material Adverse Effect or be materially adverse to the interests of the Lenders.

4.19 Security Interests. Upon the execution and delivery of the Security Agreements and the filing of all necessary financing statements in the relevant jurisdictions of

organization of the relevant Borrower, the Security Agreements will create a valid first priority security interest in the Collateral described therein securing the Obligations (subject only to Permitted Encumbrances, Permitted Rights of Others and other matters permitted by Section 6.9 and to such qualifications and exceptions as are contained in the California Uniform Commercial Code with respect to the priority of security interests perfected by means other than the filing of a financing statement or with respect to the creation of security interests in Property to which Division 9 of the California Uniform Commercial Code does not apply) and all actions necessary to perfect the security interests so created, other than filing of the UCC-1 financing statements delivered to the Administrative Agent pursuant to Section8.1 with the appropriate Governmental Agency, have been taken and completed. Upon the execution and delivery of the Security Agreements and the filing thereof with the United States Patent and Trademark Office, the Administrative Agent, on behalf of itself and the Lenders, shall have a valid first priority Lien in the Collateral (consisting of patents and trademarks, if any) described therein securing the Obligations. Upon the execution and delivery of the Security Agreements and the filing thereof with the United States Copyright Office, the Administrative Agent, on behalf of itself and the Lenders, shall have a valid first priority Lien in the Collateral (consisting of copyrights, if any) described therein securing the Obligations. Upon the tender of physical deliver to the Administrative Agent of the Pledged Collateral, and the delivery of Assignments Separate from Certificate with respect thereto, duly executed, Administrative Agent will have a valid first priority security interest in the Pledged Collateral and all action necessary to perfect the security interests so created will have been taken and completed.

4.20 Employee Matters. There is no strike, work stoppage or labor dispute with any union or group of employees pending or, to the best knowledge of Borrowers overtly threatened involving any Credit Party or any Significant Domestic Subsidiary that would constitute a Material Adverse Effect.

4.21 Fiscal Year. As of the Closing Date, each Credit Party operates on a fiscal year ending on June 30.

4.22 Insurance Premiums. All insurance premiums due and owing under the Credit Parties' current casualty and liability insurance policies have been paid (or, if paid in installments, are current).

4.23 Solvency. After giving effect to this Agreement and the other Loan Documents (including after giving effect to the initial Advances under this Agreement), each Credit Party will be Solvent.

4.24 Patriot Act. Each Credit Party is in compliance, in all material respects, with the (i) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (ii) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism (USA Patriot Act of 2001). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an

official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United Stats Foreign Corrupt Practices Act of 1977, as amended.

Article 5.
AFFIRMATIVE COVENANTS
(OTHER THAN INFORMATION AND
REPORTING REQUIREMENTS)

So long as any Advance remains unpaid, or any other Obligation (other than inchoate indemnity obligations) remains unpaid, or any portion of the Revolving Commitment remains in force, except as otherwise indicated, (A) each Credit Party shall, and shall cause its Significant Domestic Subsidiaries at all times to, and (B) Parent, on a Consolidated Basis shall, on an annual basis, unless the Administrative Agent (with the written approval of the Requisite Lenders or, if required by Section 12.2, all of the Lenders) otherwise consents:

5.1 Payment of Taxes and Other Potential Liens. Pay and discharge promptly all taxes, assessments and governmental charges or levies imposed upon any of them, upon their respective Property or any part thereof and upon their respective income or profits or any part thereof, except that the relevant Person (x) shall not be required to pay or cause to be paid (a) any tax, assessment, charge or levy that is not yet delinquent, or is being contested in good faith by appropriate proceedings so long as the relevant entity has established and maintains adequate reserves for the payment of the same (to the extent required by GAAP), or (b) any immaterial tax so long as no material Property of any Credit Party or a Significant Subsidiary thereof is at impending risk of being seized, levied upon or forfeited; and (y) may contest nonconsensual Liens (securing an aggregate amount not in excess of $1,000,000) in good faith by appropriate proceedings .

5.2 Preservation of Existence. Preserve and maintain their respective existences in the jurisdiction of their formation and all material authorizations, rights, franchises, privileges, consents, approvals, orders, licenses, permits, or registrations from any Governmental Agency that are necessary for the transaction of their respective business and qualify and remain qualified to transact business in each jurisdiction in which such qualification is necessary in view of their respective business or the ownership or leasing of their respective Properties except where the failure to so qualify or remain qualified would not constitute a Material Adverse Effect.

5.3 Maintenance of Properties. Maintain, preserve and protect all of their respective Properties in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of their respective Properties, except (i) that the failure to maintain, preserve and protect a particular item of Property that is at the end of its useful life or that is not of significant value, either intrinsically or to the operations of the relevant Person, shall not constitute a violation of this covenant, and (ii) this covenant shall not be construed to prohibit any Disposition otherwise permitted pursuant to Section 6.2 or the definition of "Disposition".

5.4 Maintenance of Insurance. Maintain liability, casualty, workers' compensation and other insurance (subject to customary deductibles and retentions) with responsible insurance companies in such amounts and against such risks as is carried by responsible companies engaged in similar businesses and owning similar assets in the general areas in which the relevant Person operates.

5.5 Compliance With Laws. Comply with all Requirements of Law noncompliance with which does or is reasonably expected to constitute a Material Adverse Effect, except that the relevant Person need not comply with a Requirement of Law then being contested by any of them in good faith by appropriate proceedings.

5.6 Inspection Rights. Upon reasonable notice, at any time during regular business hours and as often as reasonably requested (but not so as to materially interfere with the business of any Credit Party) permit the Administrative Agent or any Lender, or any authorized employee, agent or representative thereof, to examine, audit and make copies and abstracts from the records and books of account of (including any software or CD Rom programs relating thereto), and to visit and inspect the Properties of, the Credit Parties and to discuss the affairs, finances and accounts of the Credit Parties and their Subsidiaries with any of the Credit Parties' officers, key employees or accountants.

5.7 Keeping of Records and Books of Account. Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Agency having regulatory jurisdiction over the relevant Person.

5.8 Compliance With Agreements. Promptly and fully comply with all Contractual Obligations to which any one or more of them is a party,except for any such Contractual Obligations (a) the performance of which would cause a Default or (b) then being contested by any of them in good faith by appropriate proceedings or (c) if the failure to comply does not or is not reasonably expected to constitute a Material Adverse Effect.

5.9 Use of Proceeds. Use the proceeds of all Revolving Loans for working capital needs and other general corporate purposes of Parent's Significant Domestic Subsidiaries, including refinancing of Indebtedness in connection with the Existing Credit Facilities, including related fees and expenses.

5.10 Hazardous Materials Laws. Keep and maintain all Real Property and each portion thereof in compliance in all material respects with all applicable Hazardous Materials Laws and promptly notify the Administrative Agent in writing (attaching a copy of any pertinent written material) of (a) any and all material enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened in writing by a Governmental Agency with respect to any such Real Property pursuant to any applicable Hazardous Materials Laws, (b) any and all material claims made or threatened in writing by any Person against any Credit Party relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Materials and (c) discovery by any Senior Officer of any Credit Party of any material occurrence or condition on any real Property adjoining or in the vicinity of such Real Property that could reasonably be expected to cause such Real Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such Real Property under any applicable Hazardous Materials Laws.

5.11 Syndication Process. Cooperate in such respects as may be requested by the Arranger in connection with the syndication of the credit facilities under this Agreement, including the provision of information (in form and substance acceptable to the Arranger) for

inclusion in written materials furnished to prospective syndicate members and the participation by Senior Officers in meetings with prospective syndicate members. Nothing in this Section 5.11 shall obligate the Credit Parties to amend any Loan Document to which it is a Party.

5.12 Future Subsidiaries; Additional Security Documentation. (a) Cause each future Significant Domestic Subsidiary of a Credit Party to execute and deliver to the Administrative Agent (i) an appropriate joinder to the Parent Guaranty and the Security Agreement and (ii) such other agreements, mortgages, financing statements, landlord/mortgagee waivers and other documents, together with an opinion of counsel from counsel and in form and substance reasonably acceptable to the Administrative Agent, and (b) cause Parent to pledge to the Administrative Agent pursuant to the Parent Guaranty all of the capital stock or other equity interests owned by Parent with respect to any Significant Domestic Subsidiary formed or acquired after the Closing Date. In addition to the foregoing, the Credit Parties and their Significant Domestic Subsidiaries shall cause such documents and instruments as may be reasonably requested by the Administrative Agent (or any Lender through the Administrative Agent) from time to time to be executed and delivered and do such further acts and things as reasonably may be required in order for the Administrative Agent, for the benefit of the Lenders, to obtain a fully perfected first priority Lien on all Collateral, subject to Permitted Encumbrances, Permitted Rights of Others and other matters permitted by Section 6.9. Without limiting the generality of the foregoing, ResMed (and/or such other Credit Parties, as appropriate) shall execute and deliver to the Administrative Agent, for the benefit of the Lenders, such instruments and agreements as Administrative Agent may reasonably request to obtain and maintain a Lien on the Kearny Mesa Property, and such other agreements and instruments incidental thereto, which Lien Administrative Agent may request in its sole and absolute discretion.

5.13 Intercompany Notes. Cause each Subsidiary and Affiliate of each Borrower to execute a promissory note (in a form reasonably acceptable to the Administrative Agent) evidencing any Indebtedness of such Subsidiary or Affiliate to such Borrower, which is in an amount of $1,000,000 or more, and cause each payee of such promissory note to deliver such promissory note to the Administrative Agent, with an endorsement in blank, as additional Collateral.

Article 6.
NEGATIVE COVENANTS

So long as any Advance remains unpaid, or any other Obligation (other than inchoate indemnity obligations) remains unpaid, or any portion of the Revolving Commitment remains in force, except as otherwise indicated, (A) each Credit Party shall not, and shall not permit any Significant Domestic Subsidiaries at any time to, and (B) Parent, on a Consolidated Basis shall not, on an annual basis, unless the Administrative Agent (with the written approval of the Requisite Lenders or, if required by Section 12.2, of all of the Lenders) otherwise consents:

6.1 Payment of Subordinated Obligations. Pay any (a) principal (including sinking fund payments) or any other amount (other than scheduled interest payments) with respect to any Subordinated Obligation, or purchase or redeem (or offer to purchase or redeem) any Subordinated Obligation, or deposit any monies, securities or other Property with any trustee or other Person to provide assurance that the principal or any portion thereof of any Subordinated Obligation will be paid when due or otherwise to provide for the defeasance of any Subordinated Obligation or (b) scheduled interest on any Subordinated Obligation unless the payment thereof is then permitted pursuant to the terms of the indenture or other agreement governing such Subordinated Obligation. Notwithstanding the foregoing, Parent may redeem the Convertible Notes (or permit the conversion thereof to equity).

6.2 Disposition of Property. No Credit Party may make any Disposition of its Property, whether now owned or hereafter acquired except (a) a Disposition by Parent to any Borrower, or by a Subsidiary of any Borrower to any Borrower, and (b) a Disposition for which the Net Cash Sales Proceeds, when added to the aggregate Net Cash Sales Proceeds of all Dispositions made during the term of this Agreement, do not exceed $20,000,000.

6.3 Mergers. No Credit Party may merge or consolidate with or into any Person, except (a) mergers and consolidations of (x) a Subsidiary of any Borrower into (i) Parent, (ii) a Borrower or (iii) a Wholly-Owned Subsidiary of such Borrower; or (y) Subsidiaries of a Borrower with each other, and (b) a merger or consolidation of a Person into a Borrower or with or into a Wholly-Owned Subsidiary of Parent which constitutes a Permitted Acquisition; provided that (i) Parent, such Borrower or such Wholly-Owned Subsidiary is the surviving entity, (ii) no Default or Event of Default then exists or would result therefrom and (iii) each Credit Party executes such amendments to the Loan Documents as the Administrative Agent may reasonably determine are appropriate as a result of such merger.

6.4 Hostile Acquisitions. Directly or indirectly use the proceeds of any Loan in connection with the acquisition of part or all of a voting interest of five percent (5%) or more in any corporation or other business entity if such acquisition is opposed by the board of directors of such corporation or business entity.

6.5 Acquisitions. Make any Acquisition other than a Permitted Acquisition.

6.6 Distributions. Make any Distribution, whether from capital, income or otherwise, and whether in Cash or other Property, except:

(a) Distributions by any Subsidiary of Parent to any Borrower or to Parent (and to any intervening Subsidiaries (and/or minority interest holders) of such Borrower or other Subsidiary of Parent);

(b) Permitted Stock Repurchases; and

(c) stock dividends payable on Common Stock.

6.7 ERISA. At any time, as applicable to such Person, (a) permit any Pension Plan to: (i) engage in any non exempt "prohibited transaction" (as defined in Section 4975 of the Code); (ii) fail to comply with ERISA or any other applicable Laws; (iii) incur any material "accumulated funding deficiency" (as defined in Section 302 of ERISA); or (iv) terminate in any manner, which, with respect to each event listed above, could reasonably be expected to result in a Material Adverse Effect or (b) withdraw, completely or partially, from any Multiemployer Plan if to do so could reasonably be expected to result in a Material Adverse Effect.

6.8 Change in Nature of Business. Make any material change in the nature of the business of the Credit Parties, taken as a whole,except for a Disposition permitted pursuant to Section 6.2.

6.9 Liens and Negative Pledges. No Credit Party shall create, incur, assume or suffer to exist any Lien or Negative Pledge of any nature upon or with respect to any of its respective Properties, or engage in any sale and leaseback transaction with respect to any of its respective Properties, whether now owned or hereafter acquired, except:

(a) Liens and Negative Pledges existing on the Closing Date and disclosed inSchedule 4.7A and any renewals/extensions or amendments thereof, provided that the obligations secured or benefitted thereby are not increased and such Liens and Negative Pledges are not extended beyond their scope from that existing on the Closing Date;

(b) Liens and Negative Pledges in favor of the Administrative Agent and the Lenders pursuant to the Loan Documents;

(c) Permitted Encumbrances;

(d) Liens on Property acquired by any Credit Party or any Subsidiary that were in existence at the time of the acquisition of such Property and were not created in contemplation of such acquisition;

(e) Liens and Negative Pledges under agreements arising in the ordinary course of business and constituting customary provisions restricting the assignment thereof;

(f) Liens securing Indebtedness permitted by Section 6.10(e) on and limited to the capital assets acquired, constructed or financed with the proceeds of such Indebtedness or with the proceeds of any Indebtedness directly or indirectly refinanced by such Indebtedness; and

(g) Liens securing Indebtedness permitted by Section 6.10(f) on and limited to the real property constructed or financed with the proceeds of such Indebtedness or with the proceeds of any Indebtedness directly or indirectly refinanced by such Indebtedness, provided that no Credit Party shall grant a Lien to HSBC on the Kearny Mesa Property, if at all, unless and until Administrative Agent has determined to take and has in fact perfected a prior Lien on such Kearny Mesa Property.

6.10 Indebtedness and Guaranty Obligations. Create, incur or assume any Indebtedness or Guaranty Obligation except:

(a) Indebtedness and Guaranty Obligations existing on the Closing Date and disclosed in Schedule 6.10, and refinancings, renewals, extensions or amendments that do not increase the amount thereof;

(b) Indebtedness and Guaranty Obligations under the Loan Documents;

(c) Indebtedness and Guaranty Obligations (i) owed to any Credit Party and (ii) owing by a non-Credit Party Subsidiary of Parent to any other non-Credit Party Subsidiary of Parent;

(d) Guaranty Obligations of Parent and ResMed, and Indebtedness and Guaranty Obligations of Resmed Limited, Resmed SA. (France), Resmed GmbH & Co. KG (Germany), Resmed (UK) Ltd. and Take Air Medical GmbH, owing to HSBC (and refinancings, renewals, extensions or amendments thereof), subject (in the case of such Guaranty Obligations of Parent and ResMed only) to HSBC's prior or contemporaneous execution and delivery to Administrative Agent of the HSBC Agreements; provided that no payments shall be made on account of such Guaranty Obligations of Parent or ResMed at any time during the term of this Agreement, except to the extent permitted under the HSBC Agreements;

(e) Indebtedness consisting of Capital Lease Obligations, or otherwise incurred to finance the purchase or construction of fixed capital assets (which shall be deemed to exist if the Indebtedness is incurred at or within 90 days before or after the purchase or construction of the capital asset), or to refinance any such Indebtedness, provided that the aggregate principal amount of such Credit Parties' Indebtedness incurred in any Fiscal Year does not exceed $2,000,000;

(f) Indebtedness incurred to finance the purchase or construction of real property used in the business of any Credit Party;

(g) Credit Party Subordinated Obligations in such amount as may be approved in writing by the Administrative Agent and the Requisite Lenders, and Non-Credit Party Subordinated Obligations;

(h) Indebtedness consisting of Interest Rate Protection Agreements entered into by any Credit Party or any other Subsidiary of Parent;

(i) Indebtedness of Parent consisting of guaranties of Parent's Subsidiaries arising in the ordinary course of business and consistent with past practices, including but not limited to guaranties of lease obligations of such Subsidiaries;

(j) Guaranty Obligations in support of the obligations of a Wholly-Owned Subsidiary, provided that such obligations of such Wholly-Owned Subsidiary are not prohibited by this Agreement; and

(k) Other Indebtedness of (i) the Credit Parties not to exceed $2,000,000, and (ii) the non-Credit Party Subsidiaries of Parent not to exceed $5,000,000; each in the aggregate at any time during the term hereof.

6.11 Transactions with Affiliates. Enter into any transaction of any kind with any Affiliate of any Credit Partyother than (without duplication) (a) salary, bonus, employee stock option and other compensation arrangements with directors or officers in the ordinary course of business, (b) Distributions permitted pursuant to Section 6.6, (c) transactions that are fully disclosed to the board of directors (or executive committee thereof) of such Credit Parties and expressly authorized by a resolution of the board of directors (or executive committee) of such Credit Parties which is approved by a majority of the directors (or executive committee) not having an interest in the transaction, (d) transactions between or among the Credit Parties and their Subsidiaries and (e) transactions in the ordinary course of business on overall terms at least as favorable to the Credit Parties or their Subsidiaries as would be the case in an arm's length transaction between unrelated parties of equal bargaining power.

6.12 Leverage Ratio. Permit the Leverage Ratio as of the last day of any Fiscal Quarter to be greater than (a) 2.50 to 1.00, from the Closing Date through June 29, 2007; (b) 2.25 to 1.00 from June 30, 2007 through June 29, 2008; and (c) 2.00 to 1.00 thereafter.

6.13 Fixed Charge Coverage Ratio. Permit the Fixed Charge Coverage Ratio as of the last day of any Fiscal Quarter to be less than (a) 1.25 to 1.00 from the Closing Date through June 29, 2007; (b) 1.15 to 1.00 from June 30, 2007 through June 29, 2008; (c) 1.25 to 1.00 from June 30, 2008 through June 29, 2009; and (d) 1.50 to 1.00 thereafter.

6.14 EBITDA. Permit the domestic trailing twelve (12) month EBITDA of ResMed and SMI for any Fiscal Quarter, to be less than (a) $3,000,000 from the Closing Date through June 29, 2006; and (b) $4,000,000 thereafter.

6.15 Tangible Net Worth. Permit Tangible Net Worth, less Permitted Stock Repurchases, as of December 31, 2005, to be less than $245,000,000 or permit Tangible Net Worth as of the last day of each Fiscal Quarter ending thereafter during the term of this Agreement to be less than the sum of: (a) $170,000,000; (b) 50% of the cumulative Net Income for each Fiscal Quarter ending after June 30, 2005 (with no deduction for a net loss in any such Fiscal Quarter); and (c) 100% of the net proceeds of (i) any issuance by Parent or any of its Subsidiaries of equity securities (except with respect to the exercise of stock options) or (ii) conversion by Parent or any of its Subsidiaries of debt to equity, in each case of clauses (c)(i) and (ii), subsequent to June 30, 2005.

6.16 Liquidity. Permit Credit Parties' Cash (maintained in the United States) and Accounts (of domestic account debtors) to be less than $40,000,000.

6.17 Investments. No Credit Party shall make or suffer to exist any Investment by such Credit Party, other than:

(a) Investments in existence as of January 31, 2006 and disclosed on Schedule 6.17;

(b) Investments consisting of Cash Equivalents;

(c) Investments in a Person that is the subject of a Permitted Acquisition;

(d) Investments consisting of advances to officers, directors and employees of a Credit Party or of any their Subsidiaries for travel, entertainment, relocation, anticipated bonus and analogous ordinary business purposes;

(e) Investments in a Significant Domestic Subsidiary that is a Wholly-Owned Subsidiary of Parent (including without limitation Investments by Parent in a Borrower);

(f) Investments in a Foreign Subsidiary that is a Wholly-Owned Subsidiary of Parent and Investments in other non-Credit Party Subsidiaries of Parent, in each case not otherwise falling under another clause of this Section 6.17; provided that the aggregate of all such Investments in all Foreign Subsidiaries and other non-Credit Parties in any Fiscal Year does not exceed $10,000,000;

(g) Investments consisting of the extension of credit to customers or suppliers of the Credit Parties and their Subsidiaries in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof;

(h) Investments received in connection with the settlement of a bona fide dispute with another Person;

(i) Investments consisting of intercompany loans and Guaranty Obligations, in each case not prohibited by Section 6.10; and

(j) Investments not described above not in excess of $5,000,000 in any Fiscal Year.

6.18 Capital Expenditures. Make any Capital Expenditure in excess of (i) with respect to construction of the Kearny Mesa Property, $100,000,000 in the aggregate, (ii) with respect to the Norwest Property, $60,000,000 in the aggregate and (iii) with respect to any other Capital Expenditures, in any Fiscal Year, if to do so would result in the aggregate of such other Capital Expenditures made in such Fiscal Year (exclusive of Capital Expenditures made in connection with Permitted Acquisitions) to exceed (a) $60,000,000 for Fiscal Year ending June 30, 2006; (b) $70,000,000 for Fiscal Year ending June 30, 2007; (c) $80,000,000 for Fiscal Year

ending June 30, 2008; (d) $90,000,000 for Fiscal Year ending June 30, 2009; and (d) $100,000,000 for Fiscal Year ending June 30, 2010.

6.19 Intentionally Omitted.

6.20 Amendments to Subordinated Obligations. Amend or modify any term or provision of any indenture, agreement or instrument evidencing or governing any Subordinated Obligation in any respect that will or is reasonably expected to have a Material Adverse Effect.

6.21 Changes in Internal Operational Matters. (i) No Credit Party will make any material change (from that existing on the Closing Date) to such Credit Parties' transfer pricing activity, cash flow or accounting structure and (ii) ResMed shall not make any material change in its practice of purchasing inventory from its affiliates at current transfer pricing (except to the extent such changes is required by applicable law), and selling such inventory in the domestic market, except, in each case set forth in clause (i) and (ii), with the prior written consent of Administrative Agent (such consent not to be withheld if such change is not reasonably expected to adversely affect the benefits to Lenders of the structure evidenced by this Agreement, including the likely value of the Parent Guaranty and other Loan Documents, in each case as determined by Administrative Agent in its reasonable discretion).

6.22 Changes in Officers, Name, Location of Chief Executive Offices, Etc. Without providing ten 10 calendar days prior written notice to the Administrative Agent, make any change in the senior officers or other senior management of any Credit Party, the corporate name of any Credit Party, or the location of any Credit Party's assets, principal place of business or chief executive office; provided that such notice requirement is hereby deemed satisfied with respect to any relocation of SMI's principal place of business, chief executive office and/or assets of SMI to 9540 De Soto Avenue, Chatsworth, CA 91311.

Article 7.
INFORMATION AND REPORTING REQUIREMENTS

7.1 Financial and Business Information. So long as any Advance remains unpaid, or any other Obligation (other than inchoate indemnity obligations) remains unpaid, or any portion of the Revolving Commitment remains in force, Borrower Representative shall, unless the Administrative Agent (with the written approval of the Requisite Lenders or, if required by Section 12.2, all of the Lenders) otherwise consents, at Borrowers' sole expense, deliver to the Administrative Agent for distribution by it to the Lenders, a sufficient number of copies for all of the Lenders of the following:

(a) As soon as practicable, and in any event within forty-five (45) days after the end of each Fiscal Quarter other than the fourth Fiscal Quarter in any Fiscal Year), the consolidated balance sheet of Parent and its Subsidiaries as at the end of such Fiscal Quarter and the consolidated statements of income, operations and cash flows for such Fiscal Quarter, and the portion of the Fiscal Year ended with such Fiscal Quarter, all in reasonable detail, and as filed with the Securities and Exchange Commission; and the company-prepared quarterly income statement, balance sheet and operating cash flow statement of ResMed and SMI. Such financial statements shall be certified by the chief financial officer or controller of Borrower Representative as fairly presenting in all material respects the financial condition, results of operations and cash flows of the applicable Credit Parties and their Subsidiaries in accordance with GAAP (other than footnote disclosures), consistently applied, as at such date and for such periods, subject only to normal year-end accruals and audit adjustments;

(b) As soon as practicable, and in any event within forty-five (45) days after the end of each Fiscal Quarter, a Pricing Certificate setting forth a calculation of the Leverage Ratio as of the last day of such Fiscal Quarter, and providing reasonable detail as to the calculation thereof, which calculations in the case of the fourth Fiscal Quarter in any Fiscal Year shall be based on the preliminary unaudited financial statements of Parent and its Subsidiaries for such Fiscal Quarter, and as soon as practicable thereafter, in the event of any material variance in the actual calculation of the Leverage Ratio from such preliminary calculation, a revised Pricing Certificate setting forth the actual calculation thereof;

(c) As soon as practicable, and in any event within ninety-five (95) days after the end of each Fiscal Year, the consolidated and consolidating balance sheet of the Parent and its Subsidiaries as at the end of such Fiscal Year and the consolidated and consolidating statements of income, operations, stockholders' equity and cash flows, in each case of Parent and its Subsidiaries for such Fiscal Year, all in reasonable detail, and as filed with the Securities and Exchange Commission. Such financial statements shall be prepared in accordance with GAAP, consistently applied, and such consolidated financial statements shall be accompanied by a report of KPMG LLP or other independent public accountants of recognized standing selected by Parent and reasonably satisfactory to the Requisite Lenders, which report shall be prepared in accordance with generally accepted auditing standards as at such date, and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any other qualification or

exception determined by the Requisite Lenders in their good faith business judgment to be adverse to the interests of the Lenders.

(d) As soon as practicable, and in any event not later than thirty (30) days prior to the commencement of each Fiscal Year, a budget and projection by Fiscal Quarter for that Fiscal Year, including projected consolidated balance sheets, statements of operations, forecast assumptions, and a budget for Capital Expenditures, all in reasonable detail;

(e) [Intentionally Omitted];

(f) Parent agrees to provide Administrative Agent (and any requesting Lender) access to the electronic notification system employed by Parent so that each will receive electronic notification, when filed with the Securities and Exchange Commission, of and access to copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Parent and filed or be required to file with the Securities and Exchange Commission, and copies of all annual, regular, periodic and special reports and registration statements which Parent may file or be required to file with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended;

(g) Promptly after request by the Administrative Agent or any Lender (Borrowers agreeing hereby to inform the Administrative Agent promptly upon any such filing), copies of any other report or other document that was filed by any Credit Party or any Significant Domestic Subsidiary with any Governmental Agency;

(h) Promptly upon a Senior Officer of any Credit Party or any Significant Subsidiary becoming aware, and in any event within ten (10) Banking Days after becoming aware, of the occurrence of any (i) "reportable event" (as such term is defined in Section 4043 of ERISA, but excluding such events as to which the PBGC has by regulation waived the requirement therein contained that it be notified within thirty days of the occurrence of such event) or (ii) non-exempt "prohibited transaction" (as such term is defined in Section 406 of ERISA or Section 4975 of the Code) involving any Pension Plan or any trust created thereunder, in each case which is reasonably expected to cause a Material Adverse Effect, telephonic notice specifying the nature thereof, and, no more than five (5) Banking Days after such telephonic notice, written notice again specifying the nature thereof and specifying what action such Party is taking or proposes to take with respect thereto, and, when known, any action taken by the Internal Revenue Service with respect thereto;

(i) As soon as practicable, and in any event within five (5) Banking Days after a Senior Officer of any Credit Party or any Significant Subsidiary becomes aware of the existence of any condition or event which constitutes a Default or Event of Default, telephonic notice specifying the nature and period of existence thereof, and, no more than five (5) Banking Days after such telephonic notice, written notice again specifying the nature and period of existence thereof and specifying what action the Credit Parties are taking or propose to take with respect thereto;

(j) Promptly upon a Senior Officer of any Credit Party or any Significant Subsidiary becoming aware that (i) any Person has commenced a legal proceeding with respect to a claim against any Credit Party that is $1,000,000 or more in excess of the amount thereof that is fully covered by insurance, (ii) any creditor under a credit agreement involving Indebtedness of $1,000,000 or more or any lessor under a lease involving aggregate annual rent of $1,000,000 or more has asserted a default thereunder on the part of any Credit Party, or (iii) any Person has commenced a legal proceeding with respect to a claim against any Credit Party under a contract that is not a credit agreement or material lease with respect to a claim of in excess of $1,000,000 or which otherwise may reasonably be expected to result in a Material Adverse Effect, a written notice describing the pertinent facts relating thereto and what action such Party is taking or proposes to take with respect thereto; and

(k) Such other data and information as from time to time may be reasonably requested by the Administrative Agent, any Lender (through the Administrative Agent) or the Requisite Lenders.

7.2 Compliance Certificates. So long as any Advance remains unpaid, or any other Obligation (other than inchoate indemnity obligations) remains unpaid or unperformed, or any portion of the Revolving Commitment remains outstanding, (a) Borrower Representative shall, at Borrowers' sole expense, concurrently with the financial statements required pursuant to Section 7.1(a), deliver to the Administrative Agent for distribution by it to the Lenders, a Compliance Certificate signed by the controller of Borrower Representative; and (b) Parent (whether itself or by Borrower Representative) shall, at Borrowers' sole expense, concurrently with the financial statements required pursuant to Section 7.1(c), deliver to the Administrative Agent for distribution by it to the Lenders, a Compliance Certificate signed by the chief financial officer of Parent.

Article 8.
CONDITIONS

8.1 Initial Advances. The obligation of each Closing Date Lender to make the initial Advance to be made by it on the Closing Date, and the obligation of the Issuing Lender to issue the initial Letter of Credit, is subject to the following conditions precedent, each of which shall be satisfied prior to the making of the initial Advance and the issuance of the initial Letter of Credit (unless the Administrative Agent, in its sole and absolute discretion, shall agree otherwise):

(a) The Administrative Agent shall have received all of the following, each of which shall be originals unless otherwise specified, each properly executed by a Responsible Official of each party thereto, each dated as of the Closing Date and each in form and substance satisfactory to the Administrative Agent and its legal counsel (unless otherwise specified or, in the case of the date of any of the following, unless the Administrative Agent otherwise agrees or directs):

(1) at least one (1) executed counterpart of this Agreement, together with arrangements satisfactory to the Administrative Agent for additional executed counterparts, sufficient in number for distribution to the Closing Date Lenders and Borrowers;

(2) Revolving Notes executed by Borrowers in favor of each Closing Date Lender, each in a principal amount equal to that Lender's Pro Rata Share of the Revolving Commitment;

(3) the Security Agreements executed by each Borrower;

(4) the Parent Guaranty executed by Parent;

(5) the Pledged Collateral, together with executed undated stock powers (or the equivalent) relating thereto, endorsed in bank;

(6) such financing statements on Form UCC 1 with respect to the Parent Guaranty and the Security Agreements as the Administrative Agent may request;

(7) the Real Estate Documents executed by each party thereto;

(8) with respect to each Credit Party, such documentation as the Administrative Agent may reasonably require to establish the due organization, valid existence and good standing of such Credit Party, its qualification to engage in business in each material jurisdiction in which it is engaged in business or required to be so qualified, their authority to execute, deliver and perform the Loan Documents to which it is a Party, the identity, authority and capacity of each Responsible Official thereof authorized to act on its behalf, including certified copies of articles or certificates of incorporation and amendments thereto, articles or certificates of organization and amendments

thereto, bylaws and amendments thereto, operating agreements and amendments thereto, certificates of good standing and/or qualification to engage in business, tax clearance certificates, certificates of corporate or limited liability company resolutions or other applicable authorization documents, incumbency certificates, Certificates of Responsible Officials, and the like;

(9) the Opinion of Counsel;

(10) a Certificate of the chief financial officer or controller of Borrower Representative certifying that attached thereto is a true and correct copy of the Projections and further certifying that the representation contained in Section 4.17 is, to the best of his or her knowledge, true and correct;

(11) evidence of the insurance policies required by Section 5.4, together with such endorsements as are necessary to show the Administrative Agent as sole loss payee and the Administrative Agent as an additional insureds, as applicable, thereunder;

(12) a Certificate of the chief financial officer or controller of Borrower Representative certifying that the conditions specified in Section 8.1(f) have been satisfied;

(13) one or more Requests for Loans or Requests for Letters of Credit, as applicable; and

(14) such other assurances, certificates, documents, consents or opinions as the Administrative Agent reasonably may require.

(b) The fees payable on the Closing Date pursuant to Section 3.2 shall have been paid.

(c) The Administrative Agent shall have received such lien search reports with respect to all jurisdictions that the Administrative Agent may deem necessary or desirable for purposes of, or in connection with, perfecting, establishing on a first priority basis, and protecting, the Administrative Agent's (on behalf of the Lenders) Liens in the Collateral created under the Collateral Documents, including completed requests for information, dated on or before the Closing Date, listing all effective financing statements filed in such jurisdictions that name the Credit Parties, as relevant, as debtor, together with copies of such financing statements.

(d) The Administrative Agent shall be reasonably satisfied that, upon the filing of the financing statements described in Section 8.1(a)(7), the recordation of the UCC-1s and/or Security Agreements and the Real Estate Documents (as applicable) with the appropriate Governmental Agencies, delivery of applicable control agreements and delivery of possession to the Administrative Agent of the Pledged Collateral and any other Collateral the possession of which is required for perfection of a security interest therein, the Administrative Agent (on behalf of the Lenders) will hold a first priority

perfected Lien in the Collateral described respectively therein subject only to Permitted Encumbrances and other encumbrances permitted pursuant to Section 6.9.

(e) The Administrative Agent shall have completed and received all audits, inspections and examinations as deemed necessary in the Administrative Agent's reasonable opinion with respect to (i) the Collateral, (ii) the books and records of the Credit Parties and their Subsidiaries and (iii) the financial and business condition and operations of the Credit Parties and their Subsidiaries and the transactions contemplated hereby.

(f) There shall not be pending or, to the knowledge of any Senior Officer of any Credit Party, threatened any litigation which is reasonably expected to have a Material Adverse Effect on any Credit Party or any of the transactions contemplated hereunder or under any of the other Loan Documents.

(g) All Indebtedness outstanding under the Existing Credit Agreement shall have been (or shall concurrently be) paid and the same shall have been (or shall concurrently be) terminated.

(h) The reasonable costs and expenses of the Administrative Agent in connection with the preparation of the Loan Documents payable pursuant to Section 12.3, and invoiced to Borrower Representative prior to the Closing Date (if applicable), shall have been paid.

(i) The representations and warranties of the Credit Parties contained in Article 4 shall be true and correct in all material respects.

(j) Borrower Representative (or such other Credit Party, as applicable) shall have established the Designated Deposit Account at Union Bank of California, N.A. or one of its Affiliates.

(k) Borrowers and any other Parties shall be in compliance with all the terms and provisions of the Loan Documents, and giving effect to the initial Advance, no Default or Event of Default shall have occurred and be continuing.

(l) No material adverse change shall have occurred in the business, property, operations or condition (financial or otherwise) of Borrower since December 31, 2005.

(m) All legal matters relating to the Loan Documents shall be satisfactory to DLA Piper Rudnick Gray Cary US, LLP, special counsel to the Administrative Agent.

(n) The Closing Date shall have occurred on or before March 31, 2006.

8.2 Any Advance. The obligation of each Lender to make any Advance, and the obligation of the Issuing Lender to issue any Letter of Credit, is subject to the following

conditions precedent (unless the Requisite Lenders or, in any case where the approval of all of the Lenders is required pursuant to Section 12.2, all of the Lenders, in their sole and absolute discretion, shall agree otherwise):

(a) except (i) for representations and warranties which expressly speak as of a particular date or are no longer true and correct as a result of a change which is permitted by this Agreement or (ii) as disclosed by Borrower Representative and approved in writing by the Requisite Lenders, the representations and warranties contained in Article 4 (other than Sections 4.6 (first sentence) and 4.17) shall be true and correct in all material respects on and as of the date of the Advance as though made on that date;

(b) no circumstance or event shall have occurred that constitutes a Material Adverse Effect since the date of the last delivered audited financial statements;

(c) other than matters described in Schedule 4.10 or not required as of the Closing Date to be therein described, there shall not be then pending or, to the knowledge of any Senior Officer of any Credit Party, threatened, any action, suit, proceeding or investigation against or affecting any Credit Party or any Property of any of them before any Governmental Agency that constitutes or is reasonably expected to constitute a Material Adverse Effect; and

(d) the Administrative Agent shall have timely received a Request for Loan (or telephonic or other request for Loan referred to in the second sentence of Section 2.1(b), if applicable) or Request for Letter of Credit (as applicable), in compliance with Article 2, or shall otherwise have waived the same.

Article 9.
EVENTS OF DEFAULT AND REMEDIES UPON EVENT OF DEFAULT

9.1 Events of Default. The existence or occurrence of any one or more of the following events, whatever the reason therefor and under any circumstances whatsoever, shall constitute an Event of Default:

(a) Borrowers fail to pay any principal on any of the Notes, or any portion thereof, on the date when due; or

(b) Borrowers fail to pay any interest on any of the Notes, or any fees under Sections 3.2, 3.3 or 3.4, or any portion thereof, within five (5) Banking Days after the date when due; or fails to pay any other fee or amount payable to the Lenders or the Administrative Agent under any Loan Document, or any portion thereof, within ten (10) Banking Days after demand therefor; or

(c) Any Credit Party fails to comply with, or causes or permits any Subsidiary (to the extent applicable to such Subsidiary) to fail to comply with, any of the covenants contained in Article 6; or

(d) Any Credit Party fails to comply with Section 7.1(i) in the manner stated therein or fails to perform any other reporting requirement set forth in Article 7 within ten (10) Banking Days after the date specified for performance therein; or

(e) Any Credit Party or any other Party fails to perform or observe any other covenant or agreement (not specified in clause (a), (b), (c) or (d) above) contained in any Loan Document on its part to be performed or observed within twenty (20) Banking Days after the giving of notice by the Administrative Agent on behalf of the Requisite Lenders of such Default; or

(f) Any representation or warranty of any Credit Party any other Party made in any Loan Document, or in any certificate or other writing delivered by such Party pursuant to any Loan Document, proves to have been incorrect when made or reaffirmed in any respect that is materially adverse to the interests of the Lenders; or

(g) To the extent not otherwise addressed in this Section 9.1, any Credit Party, ResMed Holdings or any Significant Subsidiary (i) fails to pay the principal, or any principal installment, of any present or future Indebtedness of such Person for borrowed money of $3,000,000 or more, or any guaranty of $3,000,000 or more by such Person of present or future Indebtedness for borrowed money, in each case, on its part to be paid, when due (or within any stated grace period), whether at the stated maturity, upon acceleration, by reason of required prepayment or otherwise, or (ii) fails to perform or observe any other term, covenant or agreement on its part to be performed or observed, or suffers any event of default to occur, in connection with any present or future Indebtedness of such Person of $3,000,000 or more, or in connection with any guaranty by such Person of $3,000,000 or more of present or future Indebtedness, if as a result of such failure or sufferance any holder or holders thereof (or an agent or trustee on its or their behalf) has the right to declare such Indebtedness due before the date on which it

otherwise would become due or the right to require any such Person to redeem or purchase, or offer to redeem or purchase, all or any portion of such Indebtedness; or

(h) Any Loan Document, at any time after its execution and delivery and for any reasonother than the agreement or action (or omission to act) of the Administrative Agent or the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect which is materially adverse to the interests of the Lenders; or any Collateral Document ceases (other than by action or inaction of the Administrative Agent or any Lender) to create a valid and effective Lien in any material portion of the Collateral; or any Party thereto denies in writing that it has any or further liability or obligation under any Loan Document (other than following indefeasible satisfaction in full of the Obligations), or purports to revoke, terminate or rescind same; or

(i) A final judgment against any Credit Party or any Significant Domestic Subsidiary is entered for the payment of money in excess of $3,000,000 individually or in the aggregate (not covered by insurance or for which an insurer has reserved its rights) and, absent procurement of a stay of execution, such judgment remains unsatisfied for thirty (30) calendar days after the date of entry of judgment, or in any event later than five (5) days prior to the date of any proposed sale thereunder; or any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the Property of any Credit Party and is not released, vacated or fully bonded within thirty (30) calendar days after its issue or levy; or

(j) Any Credit Party or any Significant Domestic Subsidiary institutes or consents to the institution of any proceeding under a Debtor Relief Law relating to it or to all or any material part of its Property, or is unable or admits in writing its inability to pay its debts as they mature, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its Property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for sixty (60) calendar days; or any proceeding under a Debtor Relief Law relating to any such Person or to all or any part of its Property is instituted without the consent of that Person and continues undismissed or unstayed for sixty (60) calendar days; or

(k) A Change in Control occurs; or

(l) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or

(m) Any holder of a Subordinated Obligation of more than $3,000,000 asserts in writing that such Subordinated Obligation is not subordinated to the Obligations in accordance with its terms and the applicable Credit Party does not promptly deny in writing such assertion and contest any attempt by such holder to take action based on such assertion; or

(n) Any Pension Plan maintained by any Credit Party is finally determined by the PBGC to have a material "accumulated funding deficiency" as that term is defined in Section 302 of ERISA in excess of an amount equal to 5% of the consolidated total assets of Parent and its Subsidiaries as of the most recently ended Fiscal Quarter; or

(o) The Requisite Lenders determine in good faith that, since the delivery of the most recent audited financials for Parent and its Subsidiaries, a circumstance or event has occurred that constitutes a Material Adverse Effect.

9.2 Remedies Upon Event of Default. Without limiting any other rights or remedies of the Administrative Agent or the Lenders provided for elsewhere in this Agreement, or the other Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence, and during the continuance, of any Event of Defaultother than an Event of Default described in Section9.1(j):

(1) the Revolving Commitment to make Advances and all other obligations of the Administrative Agent or the Lenders and all rights of the Borrowers and any other Parties under the Loan Documents shall be suspended without notice to or demand upon any Credit Party, which are expressly waived by the Credit Parties, except that all of the Lenders or the Requisite Lenders (as the case may be, in accordance with Section12.2) may waive an Event of Default or, without waiving, determine, upon terms and conditions satisfactory to the Lenders or the Requisite Lenders, as the case may be, to reinstate the Revolving Commitment and such other obligations and rights and make further Advances, which waiver or determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) the Issuing Lender may, with the approval of the Administrative Agent on behalf of the Requisite Lenders, demand immediate payment by the Credit Parties of an amount equal to the aggregate amount of all outstanding Letters of Credit to be held by the Issuing Lender in an interest-bearing cash collateral account as collateral hereunder; and

(3) the Requisite Lenders may request the Administrative Agent to, and the Administrative Agent thereupon shall, terminate the Revolving Commitment and/or declare all or any part of the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by Borrower.

(b) Upon the occurrence of any Event of Default described in Section 9.1(j):

(1) the Revolving Commitment to make Advances and all other obligations of the Administrative Agent or the Lenders and all rights of Borrowers and any other Parties under the Loan Documents shall terminate without notice to or demand upon any Credit Party, which are expressly waived by the Credit Parties, except that all of the Lenders may waive the Event of Default or, without waiving, determine, upon terms and conditions satisfactory to all the Lenders, to reinstate the Revolving Commitment and such other obligations and rights and make further Advances, which determination shall apply equally to, and shall be binding upon, all the Lenders;

(2) an amount equal to the aggregate amount of all outstanding Letters of Credit shall be immediately due and payable to the Issuing Lender without notice to or demand upon the Credit Parties, which are expressly waived by the Credit Parties, to be held by the Issuing Lender in an interest-bearing cash collateral account as collateral hereunder; and

(3) the unpaid principal of all Notes, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be forthwith due and payable, without protest, presentment, notice of dishonor, demand or further notice of any kind, all of which are expressly waived by the Credit Parties.

(c) Upon the occurrence of any Event of Default, the Lenders and the Administrative Agent, or any of them, without notice to ~~,~~except as expressly provided for in any Loan Document) or demand upon the Credit Parties, which are expressly waived by the Credit Parties (except as to notices expressly provided for in any Loan Document), may proceed (but only with the consent of the Requisite Lenders) to protect, exercise and enforce their rights and remedies under the Loan Documents against the Credit Parties and any other Party and such other rights and remedies as are provided by Law or equity.

(d) The order and manner in which the Lenders' rights and remedies are to be exercised shall be determined by the Requisite Lenders in their sole discretion, and all payments received by the Administrative Agent and the Lenders, or any of them, shall be applied first to the costs and expenses (including reasonable attorneys' fees and disbursements and the reasonably allocated costs of attorneys employed by the Administrative Agent or by any Lender) of the Administrative Agent and of the Lenders, and thereafter paid pro rata to the Lenders in the same proportions that the aggregate Obligations owed to each Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders. Regardless of how each Lender may treat payments for the purpose of its own accounting, for the purpose of computing Borrowers' Obligations hereunder and under the Notes, payments shall be applied first, to the costs and expenses of the Administrative Agent and the Lenders, as set forth above, second, to the payment of accrued and unpaid interest due under any Loan Documents to and including the date

of such application (ratably, and without duplication, according to the accrued and unpaid interest due under each of the Loan Documents), andthird, to the payment of all other amounts (including principal and fees) then owing to the Administrative Agent or the Lenders under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of the Lenders hereunder or thereunder or at Law or in equity.

Article 10.
THE ADMINISTRATIVE AGENT

10.1 Appointment and Authorization. Subject to Section 10.8, each Lender hereby irrevocably appoints and authorizes the Administrative Agent to take such action as agent on its behalf and to exercise such powers under the Loan Documents as are delegated to the Administrative Agent by the terms thereof or are reasonably incidental, as determined by the Administrative Agent, thereto. This appointment and authorization is intended solely for the purpose of facilitating the servicing of the Loans and does not constitute appointment of the Administrative Agent as trustee for any Lender or as representative of any Lender for any other purpose and, except as specifically set forth in the Loan Documents to the contrary, the Administrative Agent shall take such action and exercise such powers only in an administrative and ministerial capacity.

10.2 Administrative Agent and Affiliates. Union Bank of California, N.A. (and each successor Administrative Agent) has the same rights and powers under the Loan Documents as any other Lender and may exercise the same as though it were not the Administrative Agent, and the term "Lender" or "Lenders" includes Union Bank of California, N.A. in its individual capacity. Union Bank of California, N.A. (and each successor Administrative Agent) and its Affiliates may accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with each Credit Party and any Subsidiary or Affiliate thereof, as if it were not the Administrative Agent and without any duty to account therefor to the Lenders. Union Bank of California, N.A. (and each successor Administrative Agent) need not account to any other Lender for any monies received by it for reimbursement of its costs and expenses as Administrative Agent hereunder, or (subject to Section 12.10) for any monies received by it in its capacity as a Lender hereunder. The Administrative Agent shall not be deemed to hold a fiduciary relationship with any Lender and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or otherwise exist against the Administrative Agent.

10.3 Proportionate Interest in any Collateral. The Administrative Agent, on behalf of all the Lenders, shall hold in accordance with the Loan Documents all items of any collateral or interests therein received or held by the Administrative Agent. Subject to the Administrative Agent's and the Lenders' rights to reimbursement for their costs and expenses hereunder (including reasonable attorneys' fees and disbursements and other professional services and the reasonably allocated costs of attorneys employed by the Administrative Agent or a Lender) and subject to the application of payments in accordance with Section 9.2(d), each Lender shall have an interest in the Lenders' interest in such collateral or interests therein in the same proportions that the aggregate Obligations owed such Lender under the Loan Documents bear to the aggregate Obligations owed under the Loan Documents to all the Lenders, without priority or preference among the Lenders.

10.4 Lenders' Credit Decisions. Each Lender agrees that it has, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or of any other Lender, and instead in reliance upon information supplied to it by or on behalf of the Credit Parties and upon such other information as it has deemed appropriate, made its own independent credit analysis and

decision to enter into this Agreement. Each Lender also agrees that it shall, independently and without reliance upon the Administrative Agent, any other Lender or the directors, officers, agents, employees or attorneys of the Administrative Agent or of any other Lender, continue to make its own independent credit analyses and decisions in acting or not acting under the Loan Documents.

10.5 Action by Administrative Agent.

(a) The Administrative Agent may assume that no Default has occurred and is continuing, unless the Administrative Agent (or the Lender that is then the Administrative Agent) has received notice from Borrower Representative stating the nature of the Default or has received notice from a Lender stating the nature of the Default and that such Lender considers the Default to have occurred and to be continuing.

(b) The Administrative Agent has only those obligations under the Loan Documents as are expressly set forth therein.

(c) Except for any obligation expressly set forth in the Loan Documents and as long as the Administrative Agent may assume that no Event of Default has occurred and is continuing, the Administrative Agent may, but shall not be required to, exercise its reasonable discretion to act or not act, except that the Administrative Agent shall be required to act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 12.2) and those instructions shall be binding upon the Administrative Agent and all the Lenders, provided that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent.

(d) If the Administrative Agent has received a notice specified in clause (a), the Administrative Agent shall immediately give notice thereof to the Lenders and shall act or not act upon the instructions of the Requisite Lenders (or of all the Lenders, to the extent required by Section 12.2), provided that the Administrative Agent shall not be required to act or not act if to do so would be contrary to any Loan Document or to applicable Law or would result, in the reasonable judgment of the Administrative Agent, in substantial risk of liability to the Administrative Agent, and except that if the Requisite Lenders (or all the Lenders, if required under Section12.2) fail, for five (5) Banking Days after the receipt of notice from the Administrative Agent, to instruct the Administrative Agent, then the Administrative Agent, in its sole discretion, may act or not act as it deems advisable for the protection of the interests of the Lenders.

(e) The Administrative Agent shall have no liability to any Lender for acting, or not acting, as instructed by the Requisite Lenders (or all the Lenders, if required under Section 12.2), notwithstanding any other provision hereof.

10.6 Liability of Administrative Agent. Neither the Administrative Agent nor any of its directors, officers, agents, employees or attorneys shall be liable for any action taken or not taken by them under or in connection with the Loan Documents, except for their own gross

negligence or willful misconduct. Without limitation on the foregoing, the Administrative Agent and its directors, officers, agents, employees and attorneys:

(a) May treat the payee of any Note as the holder thereof until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by the payee, and may treat each Lender as the owner of that Lender's interest in the Obligations for all purposes of this Agreement until the Administrative Agent receives notice of the assignment or transfer thereof, in form satisfactory to the Administrative Agent, signed by that Lender;

(b) May consult with legal counsel (including in-house legal counsel), accountants (including in house accountants) and other professionals or experts selected by it, or with legal counsel, accountants or other professionals or experts for any Credit Party or any Affiliates thereof or the Lenders, and shall not be liable for any action taken or not taken by it in good faith in accordance with any reasonable advice of such legal counsel, accountants or other professionals or experts;

(c) Shall not be responsible to any Lender for any statement, warranty or representation made in any of the Loan Documents or in any notice, certificate, report, request or other statement (written or oral) given or made in connection with any of the Loan Documents;

(d) Except to the extent expressly set forth in the Loan Documents, shall have no duty to ask or inquire as to the performance or observance by the Credit Parties or their Subsidiaries of any of the terms, conditions or covenants of any of the Loan Documents or to inspect any collateral or any Property, books or records of the Credit Parties or their Subsidiaries;

(e) Will not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, effectiveness, sufficiency or value of any Loan Document, any other instrument or writing furnished pursuant thereto or in connection therewith, or any Collateral;

(f) Will not incur any liability by acting or not acting in reliance upon any Loan Document, notice, consent, certificate, statement, request or other instrument or writing reasonably believed by it to be genuine and signed or sent by the proper party or parties; and

(g) Will not incur any liability for any arithmetical error in computing any amount paid or payable by any Credit Party or paid or payable to or received or receivable from any Lender under any Loan Document, including, principal, interest, commitment fees, Advances and other amounts;provided that promptly upon discovery of such an error in computation, the Administrative Agent, the Lenders and (to the extent applicable) the relevant Credit Party shall make such adjustments as are necessary to correct such error and to restore the parties to the position that they would have occupied had the error not occurred.

10.7 Indemnification. Each Lender shall, ratably in accordance with its Pro Rata Share of the Revolving Commitment (if the Revolving Commitment is then in effect) or in accordance with its proportion of the aggregate Indebtedness then evidenced by the Notes (if the Revolving Commitment has then been terminated), indemnify and hold the Administrative Agent and its directors, officers, agents, employees and attorneys harmless against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including reasonable attorneys' fees and disbursements and allocated costs of attorneys employed by the Administrative Agent) that may be imposed on, incurred by or asserted against it or them in any way relating to or arising out of the Loan Documents (other than losses incurred by reason of the failure of any Credit Party to pay the Indebtedness represented by the Notes) or any action taken or not taken by it as Administrative Agent thereunder, except such as result from its own gross negligence or willful misconduct. Without limitation on the foregoing, each Lender shall reimburse the Administrative Agent upon demand for that Lender's Pro Rata Share of any reasonable out of pocket cost or expense incurred by the Administrative Agent in connection with the negotiation, preparation, execution, delivery, amendment, waiver, restructuring, reorganization (including a bankruptcy reorganization), enforcement or attempted enforcement of the Loan Documents, to the extent that any Credit Party is required by Section 12.3 to pay that cost or expense but fails to do so upon demand. Nothing in this Section10.7 shall entitle the Administrative Agent or any indemnitee referred to above to recover any amount from the Lenders if and to the extent that such amount has theretofore been recovered from any Credit Party. To the extent that the Administrative Agent or any indemnitee referred to above is later reimbursed such amount by any Credit Party, it shall return the amounts paid to it by the Lenders in respect of such amount.

10.8 Successor Administrative Agent. The Administrative Agent may, and at the request of the Requisite Lenders shall, resign as Administrative Agent upon reasonable notice to the Lenders and Borrower Representative effective upon acceptance of appointment by a successor Administrative Agent. If the Administrative Agent shall resign as Administrative Agent under this Agreement, the Requisite Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders, which successor Administrative Agent shall be approved by Borrower Representative (and such approval shall not be unreasonably withheld or delayed). If no successor Administrative Agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Lenders and Borrower Representative, a successor Administrative Agent from among the Lenders. Upon the acceptance of its appointment as successor Administrative Agent hereunder, such successor Administrative Agent shall succeed to all the rights, powers and duties of the retiring Administrative Agent and the term "Administrative Agent" shall mean such successor Administrative Agent and the retiring Administrative Agent's appointment, powers and duties as Administrative Agent shall be terminated. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article 10, and Sections 12.3, 12.11 and 12.22, shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement. Notwithstanding the foregoing, if no successor Administrative Agent has accepted appointment as Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Administrative Agent as provided for above.

10.9 No Obligations of Credit Parties. Nothing contained in this Article 10 shall be deemed to impose upon any Credit Party any obligation in respect of the due and punctual performance by the Administrative Agent of its obligations to the Lenders under any provision of this Agreement, and no Credit Party shall have liability to the Administrative Agent or any of the Lenders in respect of any failure by the Administrative Agent or any Lender to perform any of its obligations to the Administrative Agent or the Lenders under this Agreement. Without limiting the generality of the foregoing, where any provision of this Agreement relating to the payment of any amounts due and owing under the Loan Documents provides that such payments shall be made by any Credit Party to the Administrative Agent for the account of the Lenders, the Credit Parties' obligations to the Lenders in respect of such payments shall be deemed to be satisfied upon the making of such payments to the Administrative Agent in the manner provided by this Agreement. In addition, the Credit Parties may rely on a written statement by the Administrative Agent to the effect that it has obtained the written consent of the Requisite Lenders or all of the Lenders, as applicable under Section 12.2, in connection with a waiver, amendment, consent, approval or other action by the Lenders hereunder, and shall have no obligation to verify or confirm the same.

10.10 Agency for Perfection. Administrative Agent hereby appoints each other Lender as its agent (and each Lender hereby accepts such appointment) for the purpose of perfecting the Lien of Administrative Agent, for the benefit of Administrative Agent and Lenders, in assets which, in accordance with Article 9 of the Uniform Commercial Code can be perfected only by possession or control. Should any Lender obtain possession or control of any such Collateral, such Lender shall notify Administrative Agent thereof, and, promptly upon Administrative Agent's request therefor shall deliver possession or control of such Collateral to Administrative Agent or in accordance with Agent's instructions.

10.11 Legal Representation of Agent. In connection with the negotiation, drafting, and execution of this Agreement and the other Loan Documents, or in connection with future legal representation relating to loan administration, amendments, modifications, waivers, or enforcement of remedies, DLA has only represented and shall only represent Union Bank in its capacity as Administrative Agent and as a Lender. Each other Lender hereby acknowledges that DLA does not represent such Lender in connection with any such matters.

Article 11.
CROSS-GUARANTY

11.1 Cross-Guaranty. Each Borrower hereby agrees that such Borrower is jointly and severally liable for, and hereby absolutely and unconditionally guarantees to Administrative Agent and Lenders and their respective successors and assigns, the full and prompt payment (whether at stated maturity, by acceleration or otherwise) and performance of, all Obligations owed or hereafter owing to Administrative Agent and Lenders by each other Borrower. Each Borrower agrees that its guaranty obligation hereunder is a continuing guaranty of payment and performance and not of collection, that its obligations under this Section 11 shall not be discharged until payment and performance, in full, of the Obligations has occurred, and that its obligations under this Section 11 shall be absolute and unconditional, irrespective of, and unaffected by: (a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in, this Agreement, any other Loan Document or any other agreement, document or instrument to which any Borrower is or may become a party; (b) the absence of any action to enforce this Agreement (including this Section 11) or any other Loan Document or the waiver or consent by Administrative Agent and Lenders with respect to any of the provisions thereof; (c) the existence, value or condition of, or failure to perfect its Lien against, any security for the Obligations or any action, or the absence of any action, by Administrative Agent and Lenders in respect thereof (including the release of any such security); (d) the insolvency of any Loan Party; or (e) any other action or circumstances that might otherwise constitute a legal or equitable discharge or defense of a surety or Parent. Each Borrower shall be regarded, and shall be in the same position, as principal debtor with respect to the Obligations guaranteed hereunder.

11.2 Waivers by Borrowers. Each Borrower expressly waives all rights it may have now or in the future under any statute, or at common law, or at law or in equity, or otherwise, to compel Administrative Agent or Lenders to marshal assets or to proceed in respect of the Obligations guaranteed hereunder against any other Loan Party, any other party or against any security for the payment and performance of the Obligations before proceeding against, or as a condition to proceeding against, such Borrower. It is agreed among each Borrower, Administrative Agent and Lenders that the foregoing waivers are of the essence of the transaction contemplated by this Agreement and the other Loan Documents and that, but for the provisions of this Section 11 and such waivers, Administrative Agent and Lenders would decline to enter into this Agreement.

11.3 Benefit of Guaranty. Each Borrower agrees that the provisions of this Section 11 are for the benefit of Administrative Agent and Lenders and their respective successors, transferees, endorsees and assigns, and nothing herein contained shall impair, as between any other Borrower and Administrative Agent or Lenders, the obligations of such other Borrower under the Loan Documents.

11.4 Waiver of Subrogation, Etc. Notwithstanding anything to the contrary in this Agreement or in any other Loan Document, and except as set forth in Section 11.7, so long as the Obligations are outstanding, each Borrower hereby expressly and irrevocably waives any and all rights at law or in equity to subrogation, reimbursement, exoneration, contribution, indemnification or set off and any and all defenses available to a surety, Parent or accommodation co-obligor. Each Borrower acknowledges and agrees that this waiver is

intended to benefit Administrative Agent and Lenders and shall not limit or otherwise affect such Borrower's liability hereunder or the enforceability of this Section 11, and that Administrative Agent, Lenders and their respective successors and assigns are intended third party beneficiaries of the waivers and agreements set forth in this Section 11.4.

11.5 Election of Remedies. If Administrative Agent or any Lender may, under Applicable Law, proceed to realize its benefits under any of the Loan Documents giving Administrative Agent or such Lender a Lien upon any Collateral, whether owned by any Borrower or by any other Person, either by judicial foreclosure or by non-judicial sale or enforcement, Administrative Agent or any Lender may, at its sole option, determine which of its remedies or rights it may pursue without affecting any of its rights and remedies under this Section 11. If, in the exercise of any of its rights and remedies, Administrative Agent or any Lender shall forfeit any of its rights or remedies, including its right to enter a deficiency judgment against any Borrower or any other Person, whether because of any applicable laws pertaining to "election of remedies" or the like, each Borrower hereby consents to such action by Administrative Agent or such Lender and waives any claim based upon such action, even if such action by Administrative Agent or such Lender shall result in a full or partial loss of any rights of subrogation that each Borrower might otherwise have had but for such action by Administrative Agent or such Lender. Any election of remedies that results in the denial or impairment of the right of Administrative Agent or any Lender to seek a deficiency judgment against any Borrower shall not impair any other Borrower's obligation to pay the full amount of the Obligations. In the event Administrative Agent or any Lender shall bid at any foreclosure or trustee's sale or at any private sale permitted by law or the Loan Documents, Administrative Agent or such Lender may bid all or less than the amount of the Obligations and the amount of such bid need not be paid by Administrative Agent or such Lender but shall be credited against the Obligations. The amount of the successful bid at any such sale, whether Administrative Agent, Lender or any other party is the successful bidder, shall be conclusively deemed to be the fair market value of the Collateral and the difference between such bid amount and the remaining balance of the Obligations shall be conclusively deemed to be the amount of the Obligations guaranteed under this Section 11, notwithstanding that any present or future law or court decision or ruling may have the effect of reducing the amount of any deficiency claim to which Administrative Agent or any Lender might otherwise be entitled but for such bidding at any such sale.

11.6 Limitation. Notwithstanding any provision herein contained to the contrary, each Borrower's liability under this Section 11 (which liability is in any event in addition to amounts for which such Borrower is primarily liable under Section 1) shall be limited to an amount not to exceed as of any date of determination the greater of: (a) the net amount of all Loans advanced to any other Borrower under this Agreement and then re-loaned or otherwise transferred to, or for the benefit of, such Borrower; and (b) the amount that could be claimed by Agent and Lenders from such Borrower under this Section 11 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law after taking into account, among other things, such Borrower's right of contribution and indemnification from each other Borrower under Section 11.7.

11.7 Contribution with Respect to Guaranty Obligations.

(a) To the extent that any Borrower shall make a payment under this Section 11 of all or any of the Obligations (other than Loans made to that Borrower for which it is primarily liable) (a "Parent Payment") that, taking into account all other Parent Payments then previously or concurrently made by any other Borrower, exceeds the amount that such Borrower would otherwise have paid if each Borrower had paid the aggregate Obligations satisfied by such Parent Payment in the same proportion that such Borrower's "Allocable Amount" (as defined below) (as determined immediately prior to such Parent Payment) bore to the aggregate Allocable Amounts of each of the Borrowers as determined immediately prior to the making of such Parent Payment, then, following indefeasible payment in full in cash of the Obligations and termination of the Revolving Commitment, such Borrower shall be entitled to receive contribution and indemnification payments from, and be reimbursed by, each other Borrower for the amount of such excess, pro rata based upon their respective Allocable Amounts in effect immediately prior to such Parent Payment.

(b) As of any date of determination, the "Allocable Amount" of any Borrower shall be equal to the maximum amount of the claim that could then be recovered from such Borrower under this Section 11 without rendering such claim voidable or avoidable under Section 548 of Chapter 11 of the Bankruptcy Code or under any applicable state Uniform Fraudulent Transfer Act, Uniform Fraudulent Conveyance Act or similar statute or common law.

(c) This Section 11.7 is intended only to define the relative rights of Borrowers and nothing set forth in this Section 11.7 is intended to or shall impair the obligations of Borrowers, jointly and severally, to pay any amounts as and when the same shall become due and payable in accordance with the terms of this Agreement, including Section 11.1. Nothing contained in this Section 11.7 shall limit the liability of any Borrower to pay the Loans made directly or indirectly to that Borrower and accrued interest, Fees and expenses with respect thereto for which such Borrower shall be primarily liable.

(d) The parties hereto acknowledge that the rights of contribution and indemnification hereunder shall constitute assets of the Borrower to which such contribution and indemnification is owing.

(e) The rights of the indemnifying Borrowers against other Loan Parties under this Section 11.7 shall be exercisable upon the full and indefeasible payment of the Obligations and the termination of the Revolving Commitment.

11.8 Liability Cumulative. The liability of Borrowers under this Section 11 is in addition to and shall be cumulative with all liabilities of each Borrower to Agent and Lenders under this Agreement and the other Loan Documents to which such Borrower is a party or in respect of any Obligations or obligation of the other Borrower, without any limitation as to amount, unless the instrument or agreement evidencing or creating such other liability specifically provides to the contrary.

Article 12.
MISCELLANEOUS

12.1 Cumulative Remedies; No Waiver. The rights, powers, privileges and remedies of the Administrative Agent and the Lenders provided herein or in any Note or other Loan Document are cumulative and not exclusive of any right, power, privilege or remedy provided by Law or equity. No failure or delay on the part of the Administrative Agent or any Lender in exercising any right, power, privilege or remedy may be, or may be deemed to be, a waiver thereof; nor may any single or partial exercise of any right, power, privilege or remedy preclude any other or further exercise of the same or any other right, power, privilege or remedy. The terms and conditions of Article 8 hereof are inserted for the sole benefit of the Administrative Agent and the Lenders; the same may be waived in whole or in part, with or without terms or conditions, in respect of any Loan without prejudicing the Administrative Agent's or the Lenders' rights to assert them in whole or in part in respect of any other Loan.

12.2 Amendments; Consents. No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by any Credit Party therefrom, may in any event be effective unless in writing signed by the Administrative Agent with the written approval of the Requisite Lenders (and, in the case of any amendment, modification or supplement of or to any Loan Document to which such Credit Party is a Party, signed by such Credit Party, and, in the case of any amendment, modification or supplement to Article 10, signed by the Administrative Agent), and then only in the specific instance and for the specific purpose given; and, without the approval in writing of all the Lenders, no amendment, modification, supplement, termination, waiver or consent may be effective:

(a) To amend or modify the principal of, or the amount of principal, principal prepayments or the rate of interest payable on, any Note, or the amount of the Revolving Commitment or the Pro Rata Share of any Lender or the amount of any commitment fee payable to any Lender, or any other fee or amount payable to any Lender under the Loan Documents or to waive an Event of Default consisting of the failure of Borrower to pay when due principal, interest or any fee;

(b) To postpone any date fixed for any payment of principal of, prepayment of principal of or any installment of interest on, any Note or any installment of any fee, or to extend the term of the Revolving Commitment;

(c) To amend the provisions of the definition of "Requisite Lenders"; or

(d) To release Parent from the Parent Guaranty or to release any Collateral from the Lien of the Collateral Documentsexcept if such release of Collateral occurs in connection with a Disposition permitted under Section 6.2 (or is otherwise permitted under the definition of "Disposition"), in which case such release shall not require the consent of any of the Lenders; or

(e) To amend or waive Article 8 or this Section 12.2; or

(f) To amend any provision of this Agreement that expressly requires the consent or approval of all or a specified portion of the Lenders.

Any amendment, modification, supplement, termination, waiver or consent pursuant to this Section 12.2 shall apply equally to, and shall be binding upon, all the Lenders and the Administrative Agent.

12.3 Costs, Expenses and Taxes. Borrowers shall pay within ten (10) Banking Days after demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent in connection with the negotiation, preparation, syndication, execution and delivery of the Loan Documents and any amendment thereto or waiver thereof. Borrowers shall also pay on demand, accompanied by an invoice therefor, the reasonable costs and expenses of the Administrative Agent and the Lenders in connection with the refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement of the Loan Documents, and any matter related thereto. The foregoing costs and expenses shall include filing fees, recording fees, title insurance fees, appraisal fees, search fees, and other out of-pocket expenses, and the reasonable fees and out-of-pocket expenses of any legal counsel (including reasonably allocated costs of legal counsel employed by the Administrative Agent or any Lender), independent public accountants and other outside experts retained by the Administrative Agent or any Lender, whether or not such costs and expenses are incurred or suffered by the Administrative Agent or any Lender in connection with or during the course of any bankruptcy or insolvency proceedings of any Credit Party. Borrowers shall pay any and all documentary and other taxes (such taxes, other than those described in the following clauses (i) and (ii), collectively "Taxes"), excluding (i) taxes imposed on or measured in whole or in part by a Lender's overall net income imposed on it by (A) any jurisdiction (or political subdivision thereof) in which it is organized or maintains its principal office or Eurodollar Lending Office or (B) any jurisdiction (or political subdivision thereof) in which it is "doing business" or (ii) any withholding taxes or other taxes based on gross income imposed by the United States of America for any period with respect to which it has failed to provide Borrower Representative with the appropriate form or forms required by Section 12.21, to the extent such forms are then required by applicable Laws, and all costs, expenses, fees and charges payable or determined to be payable in connection with the filing or recording of this Agreement, any other Loan Document or any other instrument or writing to be delivered hereunder or thereunder, or in connection with any transaction pursuant hereto or thereto, and shall reimburse, hold harmless and indemnify on the terms set forth in 12.11 the Administrative Agent and the Lenders from and against any and all loss, liability or legal or other expense with respect to or resulting from any delay in paying or failure to pay any such Tax, cost, expense, fee or charge or that any of them may suffer or incur by reason of the failure of any Party to perform any of its Obligations. Any amount payable to the Administrative Agent or any Lender under this Section 12.3 shall bear interest from the tenth Banking Day following the date of demand for payment at the Default Rate. If any Borrower determines in good faith that a reasonable basis exists for contesting any Taxes payable by any Borrower pursuant to this Section 12.3, the relevant Lender or the Administrative Agent shall, to the extent reasonably practical, cooperate with such Borrower (but shall have no obligation to disclose any confidential information, unless arrangements satisfactory to the relevant Lender have been made to preserve the confidential nature of such information) in challenging such Tax at Borrowers' sole expense if requested by such Borrower (it being understood and agreed that none of the Administrative Agent nor any

Lender shall have any obligation to contest, or any responsibility for contesting, any Tax). If a Lender shall become aware that it is entitled to receive a refund (whether by way of a direct payment or by offset) in respect of a Tax paid by a Borrower, it shall promptly notify Borrower Representative of the availability of such refund (unless it was made aware of such refund by a Borrower) and shall, within 30 days after the receipt of a request from Borrower Representative, apply for such refund at Borrowers' sole expense. If any Lender, or the Administrative Agent, as applicable, receives a refund (whether by way of a direct payment or by offset) of any Tax for which payment has been made by a Borrower pursuant to this Section 12.3 which, in the reasonable good faith judgment of such Lender or the Administrative Agent, as the case may be, is allocable to such payment made under this Section 12.3, the amount of such refund (together with any interest received thereon) shall be promptly paid to such Borrower to the extent payment has been made in full.

12.4 Nature of Lenders' Obligations. The obligations of the Lenders hereunder are several and not joint or joint and several. Nothing contained in this Agreement or any other Loan Document and no action taken by the Administrative Agent or the Lenders or any of them pursuant hereto or thereto may, or may be deemed to, make the Lenders a partnership, an association, a joint venture or other entity, either among themselves or with the any Credit Party. A default by any Lender will not increase the Pro Rata Share of the Revolving Commitment attributable to any other Lender. Any Lender not in default may, if it desires, assume (in such proportion as the nondefaulting Lenders agree) the obligations of any Lender in default, but is not obligated to do so.

12.5 Survival of Representations and Warranties. All representations and warranties contained herein or in any other Loan Document, or in any certificate or other writing delivered by or on behalf of any one or more of the Parties to any Loan Document, will survive the making of the Loans hereunder and the execution and delivery of the Notes, and have been or will be relied upon by the Administrative Agent and each Lender, notwithstanding any investigation made by the Administrative Agent or any Lender or on their behalf.

12.6 Notices. Except as otherwise expressly provided in the Loan Documents, all notices, requests, demands, directions and other communications provided for hereunder or under any other Loan Document must be in writing and must be mailed, telegraphed, telecopied, dispatched by commercial courier or delivered to the appropriate party at the address set forth on the signature pages of this Agreement or other applicable Loan Document or, as to any party to any Loan Document, at any other address as may be designated by it in a written notice sent to all other parties to such Loan Document in accordance with this Section. Except as otherwise expressly provided in any Loan Document, if any notice, request, demand, direction or other communication required or permitted by any Loan Document is given by mail it will be effective on the earlier of receipt or the fourth Banking Day after deposit in the United States mail with first class or airmail postage prepaid; if given by telegraph or cable, when delivered to the telegraph company with charges prepaid; if given by telecopier, when sent; if dispatched by commercial courier, on the scheduled delivery date; or if given by personal delivery, when delivered.

12.7 Execution of Loan Documents. Unless the Administrative Agent otherwise specifies with respect to any Loan Document, (a) this Agreement and any other Loan

Document may be executed in any number of counterparts and any party hereto or thereto may execute any counterpart, each of which when executed and delivered will be deemed to be an original and all of which counterparts of this Agreement or any other Loan Document, as the case may be, when taken together will be deemed to be but one and the same instrument and (b) execution of any such counterpart may be evidenced by a telecopier transmission of the signature of such party. The execution of this Agreement or any other Loan Document by any party hereto or thereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

12.8 Binding Effect; Assignment.

(a) This Agreement and the other Loan Documents to which any Credit Party is a Party will be binding upon and inure to the benefit of such Credit Party and the other Parties, the Administrative Agent, each of the Lenders, and their respective successors and assigns, except that neither the Credit Parties nor any of the other Parties may assign their rights hereunder or under any other Loan Document or any interest herein or therein without the prior written consent of all the Lenders. Each Lender represents that it is not acquiring its Notes with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (subject to any requirement that disposition of such Notes must be within the control of such Lender). Any Lender may at any time pledge its Notes or any other instrument evidencing its rights as a Lender under this Agreement to a Federal Reserve Bank or otherwise to any Person as collateral security for any loan, financing or extension of credit, or in connection with any securitization or other similar transaction, but no such pledge or other transaction shall release that Lender from its obligations hereunder or grant to such Federal Reserve Bank or other Person the rights of a Lender hereunder absent foreclosure of such pledge.

(b) From time to time following the Closing Date, each Lender may assign to one or more Eligible Assignees all or any portion of its Pro Rata Share of the Revolving Commitment; provided that (i) such Eligible Assignee, if not then a Lender or an Affiliate of the assigning Lender, shall be approved by the Administrative Agent and (if no Event of Default then exists) Borrower Representative (neither of which approvals shall be unreasonably withheld or delayed), (ii) such assignment shall be evidenced by a Commitment Assignment and Acceptance, a copy of which shall be furnished to the Administrative Agent as hereinbelow provided, (iii) except in the case of an assignment to an Affiliate of the assigning Lender, to another Lender or of the entire remaining Revolving Commitment of the assigning Lender, the assignment shall not assign a Pro Rata Share of the Revolving Commitment that is equivalent to less than $5,000,000 and (iv) the effective date of any such assignment shall be as specified in the Commitment Assignment and Acceptance, but not earlier than the date which is five (5) Banking Days after the date the Administrative Agent has received the Commitment Assignment and Acceptance, unless such period has been waived by the Administrative Agent. Upon the effective date of such Commitment Assignment and Acceptance, the Eligible Assignee named therein shall be a Lender for all purposes of this Agreement, with the Pro Rata Share of the Revolving Commitment therein set forth and, to the extent of such Pro Rata Share, the assigning Lender shall be released from its further obligations under this Agreement. Each Borrower agrees that it shall execute and deliver (against delivery by

the assigning Lender to Borrower Representative of the Notes) to such assignee Lender, Notes evidencing that assignee Lender's Pro Rata Share of the Revolving Commitment, and to the assigning Lender, Notes evidencing the remaining balance of the Pro Rata Share retained by the assigning Lender.

(c) By executing and delivering a Commitment Assignment and Acceptance, the Eligible Assignee thereunder acknowledges and agrees that: (i) other than the representation and warranty that it is the legal and beneficial owner of the Pro Rata Share of the Revolving Commitment being assigned thereby free and clear of any adverse claim, the assigning Lender has made no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness or sufficiency of this Agreement or any other Loan Document; (ii) the assigning Lender has made no representation or warranty and assumes no responsibility with respect to the financial condition of any Credit Party or the performance by any Credit Party of the Obligations; (iii) it has received a copy of this Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.1 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Commitment Assignment and Acceptance; (iv) it will, independently and without reliance upon the Administrative Agent or any Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) it appoints and authorizes the Administrative Agent to take such action and to exercise such powers under this Agreement as are delegated to the Administrative Agent by this Agreement; and (vi) it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) The Administrative Agent shall maintain at the Administrative Agent's Office a copy of each Commitment Assignment and Acceptance delivered to it and a register (the "Register") of the names and address of each of the Lenders and the Pro Rata Share of the Revolving Commitment held by each Lender, giving effect to each Commitment Assignment and Acceptance. The Register shall be available during normal business hours for inspection by Borrower Representative or any Lender upon reasonable prior notice to the Administrative Agent. After receipt of a completed Commitment Assignment and Acceptance executed by any Lender and an Eligible Assignee, and receipt of an assignment fee of $3,000 from such Lender or Eligible Assignee, the Administrative Agent shall, promptly following the effective date thereof, provide to Borrower Representative and the Lenders a revised Schedule 1.1 giving effect thereto. Borrower Representative, the Administrative Agent and the Lenders shall deem and treat the Persons listed as Lenders in the Register as the holders and owners of the Pro Rata Share of the Revolving Commitment listed therein for all purposes hereof, and no assignment or transfer of any such Pro Rata Share of the Revolving Commitment shall be effective, in each case unless and until a Commitment Assignment and Acceptance effecting the assignment or transfer thereof shall have been accepted by the Administrative Agent and recorded in the Register as provided above. Prior to such recordation, all amounts owed with respect to the applicable Pro Rata Share of the

Revolving Commitment shall be owed to the Lender listed in the Register as the owner thereof, and any request, authority or consent of any Person who, at the time of making such request or giving such authority or consent, is listed in the Register as a Lender shall be conclusive and binding on any subsequent holder, assignee or transferee of the corresponding Pro Rata Share of the Revolving Commitment.

(e) Each Lender may from time to time grant participations to one or more banks or other financial institutions in a portion of its Pro Rata Share of the Revolving Commitment; provided, however, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the participating banks or other financial institutions shall not be a Lender hereunder for any purpose except, if the participation agreement so provides, for the purposes of Sections 3.5, 3.6, 12.11 and 12.22 but only to the extent that the cost of such benefits to Borrowers does not exceed the cost which Borrowers would have incurred in respect of such Lender absent the participation, (iv) Borrowers, the Administrative Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement, (v) the participation interest shall be expressed as a percentage of the granting Lender's Pro Rata Share of the Revolving Commitment as it then exists and shall not restrict an increase in the Revolving Commitment, or in the granting Lender's Pro Rata Share of the Revolving Commitment, so long as the amount of the participation interest is not affected thereby and (vi) the consent of the holder of such participation interest shall not be required for amendments or waivers of provisions of the Loan Documents other than those which (A) extend the Revolving Loan Maturity Date or any other date upon which any payment of money is due to the Lenders, (B) reduce the rate of interest on the Notes, any fee or any other monetary amount payable to the Lenders, (C) reduce the amount of any installment of principal due under the Notes, (D) release any Parent Guaranty, or (E) release any Collateral from the Lien of the Collateral Documents, except if such release of Collateral occurs in connection with a Disposition permitted under Section 6.2 (or is otherwise permitted under the definition of "Disposition"), in which case such release shall not require the consent of any of the Lenders or of any holder of a participation interest in the Revolving Commitment.

12.9 Right of Setoff. If an Event of Default has occurred and is continuing, the Administrative Agent or any Lender (but in each case only with the consent of the Requisite Lenders) may (subject to Section 12.10) exercise its rights under Article 9 of the Uniform Commercial Code and other applicable Laws and, to the extent permitted by applicable Laws, apply any funds in any deposit account maintained with it by any Credit Party and/or any Property of any Credit Party in its possession against the Obligations.

12.10 Sharing of Setoffs. Each Lender severally agrees that if it, through the exercise of any right of setoff, banker's lien or counterclaim against any Credit Party, or otherwise, receives payment of the Obligations held by it that is ratably more than any other Lender, through any means, receives in payment of the Obligations held by that Lender, then, subject to applicable Laws: (a) the Lender exercising the right of setoff, banker's lien or counterclaim or otherwise receiving such payment shall purchase, and shall be deemed to have

simultaneously purchased, from each of the other Lenders a participation in the Obligations held by the other Lenders and shall pay to the other Lenders a purchase price in an amount so that the share of the Obligations held by each Lender after the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment shall be in the same proportion that existed prior to the exercise of the right of setoff, banker's lien or counterclaim or receipt of payment; and (b) such other adjustments and purchases of participations shall be made from time to time as shall be equitable to ensure that all of the Lenders share any payment obtained in respect of the Obligations ratably in accordance with each Lender's share of the Obligations immediately prior to, and without taking into account, the payment; provided that, if all or any portion of a disproportionate payment obtained as a result of the exercise of the right of setoff, banker's lien, counterclaim or otherwise is thereafter recovered from the purchasing Lender by any Credit Party or any Person claiming through or succeeding to the rights of any Credit Party, the purchase of a participation shall be rescinded and the purchase price thereof shall be restored to the extent of the recovery, but without interest. Each Lender that purchases a participation in the Obligations pursuant to this Section 12.10 shall from and after the purchase have the right to give all notices, requests, demands, directions and other communications under this Agreement with respect to the portion of the Obligations purchased to the same extent as though the purchasing Lender were the original owner of the Obligations purchased. Each Borrower expressly consents to the foregoing arrangements and agrees that any Lender holding a participation in an Obligation so purchased pursuant to this Section 12.10 may exercise any and all rights of setoff, banker's lien or counterclaim with respect to the participation as fully as if the Lender were the original owner of the Obligation purchased.

12.11 Indemnity by Credit Parties. Each Credit Party agrees to indemnify, save and hold harmless the Administrative Agent and each Lender and their respective directors, officers, agents, attorneys and employees (collectively the "Indemnitees") from and against: (a) any and all claims, demands, actions or causes of action ~~(~~except a claim, demand, action, or cause of action for any amount excluded from the definition of "Taxes" in Section 3.12(d)) if the claim, demand, action or cause of action arises out of or relates to any act or omission (or alleged act or omission) of any Credit Party, its Affiliates or any of its officers, directors or stockholders relating to the Commitment, the use or contemplated use of proceeds of any Loan, or the relationship of the Credit Parties and the Lenders under this Agreement; (b) any administrative or investigative proceeding by any Governmental Agency arising out of or related to a claim, demand, action or cause of action described in clause (a) above; and (c) any and all liabilities, losses, reasonable costs or expenses (including reasonable attorneys' fees and the reasonably allocated costs of attorneys employed by any Indemnitee and disbursements of such attorneys and other professional services) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action or cause of action (including as a result of any contest of the validity, applicability or amount of such claim, demand, action or cause of action, as described below in this Section 12.11); provided that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any liability, loss, cost or expense asserted against it by another Indemnitee. If any claim, demand, action or cause of action is asserted against any Indemnitee, such Indemnitee shall promptly notify Borrower Representative, but the failure to so promptly notify Borrower Representative shall not affect the Credit Parties' obligations under this Section unless such failure materially prejudices the Credit Parties' right to participate in the contest of such claim, demand, action or cause of action, as hereinafter provided. Such Indemnitee may (and shall, if requested by

Borrower Representative in writing) contest the validity, applicability and amount of such claim, demand, action or cause of action and shall permit Borrower Representative to participate in such contest. Any Indemnitee that proposes to settle or compromise any claim or proceeding for which a Credit Party may be liable for payment of indemnity hereunder shall give Borrower Representative written notice of the terms of such proposed settlement or compromise reasonably in advance of settling or compromising such claim or proceeding and shall obtain Borrower Representative's prior consent (which shall not be unreasonably withheld or delayed). In connection with any claim, demand, action or cause of action covered by this Section 12.11 against more than one Indemnitee, all such Indemnitees shall be represented by the same legal counsel (which may be a law firm engaged by the Indemnitees or attorneys employed by an Indemnitee or a combination of the foregoing) selected by the Indemnitees; provided, that if such legal counsel determines in good faith that representing all such Indemnitees would or could result in a conflict of interest under Laws or ethical principles applicable to such legal counsel or that a defense or counterclaim is available to an Indemnitee that is not available to all such Indemnitees, then to the extent reasonably necessary to avoid such a conflict of interest or to permit unqualified assertion of such a defense or counterclaim, each affected Indemnitee shall be entitled to separate representation by legal counsel selected by that Indemnitee and reasonably acceptable to Borrower Representative, with all such legal counsel using reasonable efforts to avoid unnecessary duplication of effort by counsel for all Indemnitees; and further provided that the Administrative Agent (as an Indemnitee) shall at all times be entitled to representation by separate legal counsel (which may be a law firm or attorneys employed by the Administrative Agent or a combination of the foregoing). Any obligation or liability of any Credit Party to any Indemnitee under this Section 12.11 shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

12.12 Nonliability of the Lenders. Each Credit Party acknowledges and agrees that:

(a) Any inspections of any Property of any Credit Party made by or through the Administrative Agent or the Lenders are for purposes of administration of the Loan only and no Credit Party is entitled to rely upon the same (whether or not such inspections are at the expense of such Credit Party);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to the Administrative Agent or the Lenders pursuant to the Loan Documents, neither the Administrative Agent nor the Lenders shall be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by the Administrative Agent or the Lenders;

(c) The relationship between the Credit Parties and the Administrative Agent and the Lenders is, and shall at all times remain, solely that of borrowers and lenders; neither the Administrative Agent nor the Lenders shall under any circumstance be construed to be partners or joint venturers of any Credit Party or their Affiliates; neither the Administrative Agent nor the Lenders shall under any circumstance be

deemed to be in a relationship of confidence or trust or a fiduciary relationship with any Credit Party or their Affiliates, or to owe any fiduciary duty to any Credit Party or their Affiliates; neither the Administrative Agent nor the Lenders undertake or assume any responsibility or duty to any Credit Party or their Affiliates to select, review, inspect, supervise, pass judgment upon or inform any Credit Party or their Affiliates of any matter in connection with their Property or the operations of any Credit Party or their Affiliates; each Credit Party and their Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by the Administrative Agent or the Lenders in connection with such matters is solely for the protection of the Administrative Agent and the Lenders and neither the Credit Parties nor any other Person is entitled to rely thereon; and

(d) The Administrative Agent and the Lenders shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to Property caused by the actions, inaction or negligence of any Credit Party and/or its Affiliates and each Credit Party hereby indemnifies and holds the Administrative Agent and the Lenders harmless on the terms set forth in Section 12.11 from any such loss, damage, liability or claim.

12.13 No Third Parties Benefited. This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of the Credit Parties, the Administrative Agent and the Lenders in connection with the Loans, and is made for the sole benefit of the Credit Parties, the Administrative Agent and the Lenders, and the Administrative Agent's and the Lenders' successors and assigns. Except as provided in Sections 12.8 and 12.11, no other Person shall have any rights of any nature hereunder or by reason hereof.

12.14 Confidentiality. Each Lender agrees to hold any confidential information that it may receive from Borrower Representative or any other Credit Party pursuant to this Agreement or any other Loan Document in confidence, except for disclosure: (a) to other Lenders or Affiliates of a Lender; (b) to legal counsel and accountants for any Credit Party or any Lender; (c) to other professional advisors to the Credit Parties or any Lender, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section 12.14; (d) to regulatory officials having jurisdiction over that Lender; (e) as required by Law or legal process, provided that each Lender agrees to notify Borrower Representative of any such disclosures unless prohibited by applicable Laws, or in connection with any legal proceeding to which that Lender and any Credit Party are adverse parties; and (f) to another financial institution in connection with a disposition or proposed disposition to that financial institution of all or part of that Lender's interests hereunder or a participation interest in its Notes, provided that the recipient has accepted such information subject to a confidentiality agreement substantially similar to this Section 11.14. For the purpose of the foregoing, "confidential information" shall mean any information respecting the Credit Parties or their Subsidiaries reasonably considered by Borrower Representative to be confidential, other than (i) information previously filed with any Governmental Agency and available to the public, (ii) information previously published in any public medium from a source other than, directly or indirectly, that Lender, and (iii) information previously disclosed by any Credit Party to any Person not associated with such Credit Party which does not owe a professional duty of

confidentiality to such Credit Party or which has not executed an appropriate confidentiality agreement with such Credit Party. Nothing in this Section shall be construed to create or give rise to any fiduciary duty on the part of the Administrative Agent or the Lenders to any Credit Party.

12.15 Further Assurances. The Credit Parties shall, at their expense and without expense to the Lenders or the Administrative Agent, do, execute and deliver such further acts and documents as the Requisite Lenders or the Administrative Agent from time to time reasonably require for the assuring and confirming unto the Lenders or the Administrative Agent of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

12.16 Integration. This Agreement, together with the other Loan Documents and the letter agreements referred to in Sections3.2 and 3.4, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of the Administrative Agent or the Lenders in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof.

12.17 Governing Law; Jurisdiction and Venue. EXCEPT TO THE EXTENT OTHERWISE PROVIDED THEREIN, EACH LOAN DOCUMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF CALIFORNIA APPLICABLE TO CONTRACTS MADE AND PERFORMED IN CALIFORNIA. THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN A STATE OR FEDERAL COURT LOCATED IN THE STATE OF CALIFORNIA. THE PARTIES EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN ANY SUCH COURT, AND THE PARTIES HEREBY WAIVE ANY OBJECTION THEY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION AND HEREBY CONSENT TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY ANY SUCH COURT. FURTHERMORE, THE PARTIES HEREBY WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT THEY MAY HAVE TO ASSERT THAT ANY SUCH COURT IS AN INCONVENIENT FORUM OR OTHERWISE TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 12.17.

12.18 Severability of Provisions. Any provision in any Loan Document that is held to be inoperative, unenforceable or invalid as to any party or in any jurisdiction shall, as to that party or jurisdiction, be inoperative, unenforceable or invalid without affecting the remaining provisions or the operation, enforceability or validity of that provision as to any other party or in any other jurisdiction, and to this end the provisions of all Loan Documents are declared to be severable.

12.19 Headings. Article and Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

12.20 Time of the Essence. Time is of the essence of the Loan Documents.

12.21 Foreign Lenders and Participants. In order to establish that each Lender that is not organized under the laws of the United States of America or any state or other political subdivision thereof is not subject to deduction or withholding of United States federal income tax under Section 1441 or 1442 of the Internal Revenue Code or otherwise (or under any comparable provisions of any successor statute) with respect to any payments to such Lender of principal, interest, fees or other amounts payable under any of the Loan Documents and that such Lender is entitled to an exemption from United States backup withholding tax, each such Lender shall deliver to Borrower Representative (with a copy to the Administrative Agent), on or before the Closing Date (or on or before accepting an assignment or receiving a participation interest herein pursuant to Section 12.8, if applicable) two duly completed copies, signed by a Responsible Official, of either Form 1001 (relating to such Lender and entitling it to a complete exemption from withholding on all payments to be made to such Lender by Borrowers pursuant to this Agreement) or Form 4224 (relating to all payments to be made to such Lender by the Borrowers pursuant to this Agreement) of the United States Internal Revenue Service or such other evidence (including, if reasonably necessary, Form W 9) satisfactory to Borrower Representative and the Administrative Agent that no deduction or withholding under the federal income tax laws is required with respect to such Lender. Thereafter and from time to time, each such Lender shall (a) promptly submit to Borrower Representative (with a copy to the Administrative Agent), such additional duly completed and signed copies of one of such forms (or such successor forms as shall be adopted from time to time by the relevant United States taxing authorities) as may then be available under then current United States laws and regulations to avoid, or such evidence as is satisfactory to Borrower Representative and the Administrative Agent of any available exemption from, United States deduction for withholding taxes in respect of all payments to be made to such Lender by Borrowers pursuant to this Agreement and (b) take such steps as shall not be materially disadvantageous to it, in the reasonable judgment of such Lender, and as may be reasonably necessary (including the re-designation of its Eurodollar Lending Office, if any) to avoid any requirement of applicable Laws that Borrowers make any deduction or withholding for taxes from amounts payable to such Lender. In the event that Borrower Representative or the Administrative Agent become aware that a participation has been granted pursuant to Section 12.8(e) to a financial institution that is incorporated or otherwise organized under the Laws of a jurisdiction other than the United States of America, any State thereof or the District of Columbia, then, upon request made by Borrower Representative or the Administrative Agent to the Lender which granted such participation, such Lender shall cause such participant financial institution to deliver the same documents and information to Borrower Representative and the Administrative Agent as would be required under this Section if such financial institution were a Lender.

12.22 Hazardous Material Indemnity. Each Credit Party hereby agrees to indemnify, hold harmless and defend (by counsel reasonably satisfactory to the Administrative Agent) the Administrative Agent and each of the Lenders and their respective directors, officers, employees, agents, successors and assigns from and against any and all claims, losses, damages,

liabilities, fines, penalties, charges, administrative and judicial proceedings and orders, judgments, remedial action requirements, enforcement actions of any kind, and all reasonable costs and expenses incurred in connection therewith (including but not limited to reasonable attorneys' fees and the reasonably allocated costs of attorneys employed by the Administrative Agent or any Lender, and expenses to the extent that the defense of any such action has not been assumed by a Credit Party), arising directly or indirectly out of (i) the presence on, in, under or about any Real Property of any Hazardous Materials, or any releases or discharges of any Hazardous Materials on, under or from any Real Property and (ii) any activity carried on or undertaken on or off any Real Property by a Credit Party or any of its predecessors in title, whether prior to or during the term of this Agreement, and whether by a Credit Party or any predecessor in title or any employees, agents, contractors or subcontractors of a Credit Party or any predecessor in title, or any third persons at any time occupying or present on any Real Property, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Materials at any time located or present on, in, under or about any Real Property. The foregoing indemnity shall further apply to any residual contamination on, in, under or about any Real Property, or affecting any natural resources, and to any contamination of any Property or natural resources arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Materials, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable Laws, but the foregoing indemnity shall not apply to Hazardous Materials on any Real Property, the presence and/or degree of which is caused by the Administrative Agent or the Lenders. Each Credit Party hereby acknowledges and agrees that, notwithstanding any other provision of this Agreement or any of the other Loan Documents to the contrary, the obligations of the Credit Parties under this Section shall be unlimited corporate obligations of the Credit Parties and shall not be secured by any Lien on any Real Property. Any obligation or liability of the Credit Parties to any Indemnitee under this Section 12.22 shall survive the expiration or termination of this Agreement and the repayment of all Loans and the payment and performance of all other Obligations owed to the Lenders.

12.23 Disputes. ALL CLAIMS, CAUSES OF ACTION OR OTHER DISPUTES CONCERNING THE LOAN DOCUMENTS (EACH A "CLAIM"), INCLUDING ANY AND ALL QUESTIONS OF LAW OR FACT RELATING THERETO, SHALL, AT THE WRITTEN REQUEST OF ANY PARTY, BE DETERMINED BY JUDICIAL REFERENCE PURSUANT TO THE CALIFORNIA CODE OF CIVIL PROCEDURE ("REFERENCE"). THE PARTIES SHALL SELECT A SINGLE NEUTRAL REFEREE, WHO SHALL BE A RETIRED STATE OR FEDERAL JUDGE. IN THE EVENT THAT THE PARTIES CANNOT AGREE UPON A REFEREE, THE REFEREE SHALL BE APPOINTED BY THE COURT. THE REFEREE SHALL REPORT A STATEMENT OF DECISION TO THE COURT. NOTHING IN THIS PARAGRAPH SHALL LIMIT THE RIGHT OF ANY PARTY AT ANY TIME TO EXERCISE SELF-HELP REMEDIES, FORECLOSE AGAINST COLLATERAL OR OBTAIN PROVISIONAL REMEDIES. THE PARTIES SHALL BEAR THE FEES AND EXPENSES OF THE REFEREE EQUALLY UNLESS THE REFEREE ORDERS OTHERWISE. THE REFEREE SHALL ALSO DETERMINE ALL ISSUES RELATING TO THE APPLICABILITY, INTERPRETATION, AND ENFORCEABILITY OF THIS PARAGRAPH. THE PARTIES ACKNOWLEDGE THAT THE CLAIMS WILL NOT BE ADJUDICATED BY A JURY.

12.24 Purported Oral Amendments. THE CREDIT PARTIES EXPRESSLY ACKNOWLEDGE THAT THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS MAY ONLY BE AMENDED OR MODIFIED, OR THE PROVISIONS HEREOF OR THEREOF WAIVED OR SUPPLEMENTED, BY AN INSTRUMENT IN WRITING THAT COMPLIES WITH SECTION 12.2. EACH CREDIT PARTY AGREES THAT IT WILL NOT RELY ON ANY COURSE OF DEALING, COURSE OF PERFORMANCE, OR ORAL OR WRITTEN STATEMENTS BY ANY REPRESENTATIVE OF THE ADMINISTRATIVE AGENT OR ANY LENDER THAT DOES NOT COMPLY WITH SECTION 12.2 TO EFFECT AN AMENDMENT, MODIFICATION, WAIVER OR SUPPLEMENT TO THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

BORROWER
RESMED CORP.,
a Minnesota corporation

By: **S/ PETER C. FARRELL**

Name: **PETER C. FARRELL**

Title: Chief Executive Officer

Address:
14040 Danielson Street
Poway, CA 92064-6857
Attn: _____

Telecopier: _____
Telephone: _____

BORROWER
RESMED EAP HOLDINGS INC.,
a Delaware corporation

By: **S/ PETER C. FARRELL**

Name: **PETER C. FARRELL**

Title: Chief Executive Officer

Address:
14040 Danielson Street
Poway, CA 92064-6857
Attn: _____

Telecopier: _____
Telephone: _____

BORROWER
SERVO MAGNETICS INC.,
a Delaware corporation

By: **S/ DAVID PENDARVIS**

Name: **DAVID PENDARVIS**

Title: Secretary

Address:
14040 Danielson Street
Poway, CA 92064-6857
Attn: _____

Telecopier: _____
Telephone: _____

GUARANTOR
RESMED INC.,
a Delaware corporation

By: **S/ PETER C. FARRELL**

Name: **PETER C. FARRELL**

Title: Chief Executive Officer

Address:
14040 Danielson Street
Poway, CA 92064-6857
Attn: _____

Telecopier: _____
Telephone: _____

[*Signature Page to Second Amended and Restated Revolving Loan Agreement*]

[*Signatures Continued on Next Pages*]

UNION BANK OF CALIFORNIA, N.A.,
as Administrative Agent and Lender

By: **S/ DOUGLAS S. LAMBELL**

Name: **DOUGLAS S. LAMBELL**

Title: Vice President/SCM

Address:
Union Bank of California, N.A.
530 B Street, 4th Floor
San Diego, California 92101
Mail Code: S420
Attention: Douglas S. Lambell, VP

Telecopier: (619) 230-3766
Telephone: (619) 230-3029

EXECUTIVE AGREEMENT

This Executive Agreement (this "Agreement") is made effective as of the 9th day of July 2007 (the "Effective Date") between ResMed Inc., a Delaware corporation and its subsidiaries (collectively, the "Company") and ("Executive").

WHEREAS, the Company currently employs Executive; and

WHEREAS, the Company believes it to be in the best interests of its stockholders to attract, retain and motivate key officers and to ensure continuity of management, and that this will further those interests; and

WHEREAS, the Company recognizes that the possibility of a Change of Control of the Company may result in the departure of key executives to the detriment of the Company and its stockholders.

In consideration of Executive's continued employment as an executive officer with the Company and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive agree as follows:

1. Term of Agreement

A. This Agreement shall be for an initial term that continues in effect, through the third anniversary of the Effective Date. The term of this Agreement shall automatically be extended for one or more additional terms of three (3) years each. This Agreement may be terminated effective as of the last day of any of the initial or extended term, provided that written notice of such termination is provided to Executive prior to the date that is 60 days before the last day of such term.

B. Notwithstanding the foregoing, the term of this Agreement shall terminate upon the expiration of the "Restricted Period", subject to all rights and benefits hereunder having been paid and satisfied in full.

2. Certain Definitions

A. "Bonus Amount" shall mean % of Executive's Termination Base Salary.[1]

[1] The new definition of "Bonus Amount" replaces the definition of "Target Bonus," and is used in determining the severance benefits under Sections 3.B(iii) and (iv), for the reasons described below.

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), generally imposes a $1 million limit on a publicly traded corporation's deduction for compensation for a taxable year for the corporation's Chief Executive Officer and certain other executive officers. The $1 million deduction limit does not apply to "qualified performance-based compensation" (generally, performance-based bonuses and incentive compensation granted by the corporation's Compensation Committee pursuant to a stockholder approved plan).

B. "Cause" shall mean:

(i) Executive's conviction or plea of guilty or nolo contendere of a misdemeanor involving moral turpitude, dishonesty or a breach of trust as regards the Company or any subsidiary of the Company or Executive's conviction or plea of guilty or nolo contendere of a felony; or

(ii) Executive's commission of any act of theft, fraud, embezzlement or misappropriation against the Company, regardless of whether a criminal conviction is obtained; or

(iii) Executive's willful and continued failure to devote substantially all of his or her business time to the Company's business affairs, (excluding failures due to illness, incapacity, vacations, incidental civic activities and incidental personal time) or Executive's material breach of the terms of any employment-related agreement with the Company, which failure or breach is not remedied within a reasonable time after written demand is delivered by the Company, which demand specifically identifies the manner in which the Company believes that Executive has failed to devote substantially all of his business time to the Company's business affairs or has breached such agreement; or

(iv) Executive's willful failure to comply with any corporate policies, which failure results or is likely to result in substantial injury, financial or otherwise, to the Company or its reputation;

In order to satisfy the "qualified performance-based compensation" exemption, an executive's bonus must be payable solely upon the attainment of one or more performance goals.

[1] (cont.)

Earlier this year, the Internal Revenue Service (" IRS") issued a ruling regarding the "qualified performance-based compensation" exemption. In that ruling, the IRS concluded that the mere fact that an executive is entitled to all or part of his or her bonus upon voluntary or involuntary termination of employment, without regard to the attainment of the performance goals, will cause the bonus to fail to satisfy the exemption. Consequently, if an executive is entitled to a severance benefit upon termination of employment, and the severance benefit includes the payment of all or part of the bonus, the bonus will be subject to the $1 million limit. Under the ruling, the bonus fails to satisfy the exemption even if the executive is not terminated.

The severance benefits under Sections 3.B(iii) and (iv) are currently determined based on an executive's target bonus. However, the severance benefits are payable only in the event of a " Change of Control ." If a "Change of Control" occurs, the company may cease to be publicly traded or may become a subsidiary of a publicly traded corporation, and the company's executives may cease to be subject to Section 162(m). There is some possibility (for example, in the event of a "merger of equals" transaction) that the company's executives will remain subject to Section 162(m).

The new " Bonus Amount" definition is added in order to provide that the severance benefits under Sections 3.B(iii) and (iv) will not be determined based on an executive's target bonus. The " Bonus Amount" will be a fixed percentage of the executive's "Termination Base Salary". This is intended to prevent the executive's bonus from failing to satisfy the "qualified performance-based compensation" exemption.

(v) Executive's unauthorized disclosure or use of confidential information of the Company, which results or is likely to result in substantial injury, financial or otherwise, to the Company or its reputation; or

(vi) Executive's willful violation of any rules or regulations of any governmental or regulatory body, which violation results or is likely to result in substantial injury, financial or otherwise, to the Company or its reputation; or

(vii) Executive's abuse of drugs, alcohol or illegal substances (to the extent not inconsistent with the Americans with Disability Act or similar state law), which results or is likely to result in substantial injury, financial or otherwise, to the Company or its reputation.

C. "Change of Control" of the Company means the occurrence of any of the following events for purposes of this Agreement:

(i) a transaction or series of transactions whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company's securities outstanding immediately after such acquisition, other than:

(a) an acquisition by an employee benefit plan or any trustee holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company; or

(b) an acquisition by the Company or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company; or

(c) an acquisition pursuant to the offering of shares of Common Stock by the Company to the general public through a registration statement filed with the Securities and Exchange Commission; or

(d) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change of Control under clause (iii).

(ii) individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; *provided, however,* that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered to be members of the Incumbent Board, but excluding, for this

purpose, any such individual whose initial assumption of office was a result of an actual or threatened election contest with respect to the election or removal of directors; or

(iii) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(a) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Successor Entity) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction; or

(b) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Incumbent Board at the time of the Board's approval of the transaction or the agreement providing for the transaction.

(iv) The Company's stockholders approve a liquidation or dissolution of the Company.

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's stockholders, and for purposes of subsection (iii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction or at the consummation of the last of a series of related transactions were a record date for a vote of the Company's stockholders. For purposes of subsection (iii) "Successor Entity" means the Company or the "person" that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company.

D. "Code" shall mean the United States Internal Revenue Code of 1986, as amended from time to time.

E. "Date of Termination" shall mean the date of Executive's Separation from Service.

F. "Disability" shall mean a physical or mental incapacity as a result of which Executive becomes unable to continue the proper performance of Executive's duties hereunder for six consecutive calendar months or for shorter periods aggregating 180 business days in any 12 month period, but only to the extent that such definition does not violate the Americans with Disabilities Act.

G. "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended from time to time.

H. "Equity Plans" shall mean the Company's stock option plans, restricted stock plans, incentive plans, equity participation plans, or other similar plans, and any stock option or restricted stock agreements or other award agreements used in connection therewith.

I. "Executive" shall mean the executive officer of the Company who is a party to this Agreement. In the event of the Executive's death after he becomes entitled to any payment, benefit or right under Section 3, 4 or 5, but prior to his receipt of such payment or benefit or exercise of any right, then the term "Executive" shall include his estate.

J. "Good Reason"[2] shall mean any of the following material negative circumstances that occurs without the express written consent of Executive, if Executive has given the Company written notice ("Notice of Good Reason") within 90 days of the initial existence of such circumstances and the Company has failed to cure such circumstances within 30 days of such notice:

(i) The assignment to Executive by the Company of duties, responsibilities and authority that are materially diminished when compared to Executive's duties, responsibilities and authority with the Company immediately prior to the Change of Control, except in connection with the termination of Executive's employment for Cause, death or Disability or by Executive other than for Good Reason. The fact that the Company becomes a subsidiary of another entity, or that the Company's status changes from publicly-traded to privately-held, as a result of the Change of Control, shall not, by itself, constitute a material diminution in the duties, responsibility or authority of Executive; or

[2] The definition of "Good Reason" is revised to conform to the definition of "good reason" set forth in the Treasury Regulations under Section 409A of the Code, for the reasons described below.

Section 409A of the Code imposes certain requirements on nonqualified deferred compensation arrangements. The severance benefits under Sections 3.B(ii), (iii) and (iv) are intended to be "short-term deferrals," as defined in the Treasury Regulations. Compensation that is a "short-term deferral" is exempt from Section 409A.

In order to exempt, the severance benefits under Sections 3.B(ii), (iii) and (iv) must be payable only upon an "involuntary separation from service" (generally, an involuntary termination of employment). An executive's resignation for "good reason," as defined in the Treasury Regulations, will be considered to be involuntary for purposes of Section 409A.

The Treasury Regulations require that a "good reason" event involve a "material negative change" in the employment relationship. The Treasury Regulations also include a "safe harbor" list of "good reason" events. The revisions to the "Good Reason" definition incorporate these concepts. The "Good Reason definition includes events that are not "safe harbor" events.

(ii) A material reduction by the Company in Executive's base salary as in effect at the time of the Change of Control; or

(iii) Any material diminution by the Company in the aggregate benefits provided to Executive under the Company's benefit plans and arrangements in which Executive is participating at the time of the Change of Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan or arrangement; or

(iv) Any failure by the Company to continue in effect, or any material reduction in target bonus opportunity or any material increase in target performance objectives under, any bonus or incentive plan or arrangement in which Executive is participating at the time of the Change of Control, which results in a material negative change in Executive's bonus or incentive compensation, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan or arrangement with a comparable target bonus opportunity and comparable target performance objectives; or

(v) Any material diminution by the Company in the budget over which Executive retains authority at the time of the Change of Control;

(vi) Any requirement by the Company that Executive be based anywhere that is at least fifty (50) miles away from both (i) Executive's office location as of the date of the Change of Control and (ii) Executive's then primary residence, except for required travel by Executive on the Company's business; or

(vii) Any failure by the Company to obtain the assumption of this Agreement by any successor or assign of the Company; or

(viii) Any other action or inaction by the Company that constitutes a material breach by the Company of the agreement under which Executive provides services to the Company at the time of the Change of Control.

For these purposes, a material reduction of Executive's base salary or target bonus opportunity will be deemed to have occurred if the salary or target bonus opportunity has been reduced by 10% or more from the base salary or target bonus opportunity, as applicable, in effect at the time of the Change of Control.

Executive's voluntary termination of employment for Good Reason must occur not later than two years after the initial existence of the circumstances constituting "Good Reason."

K. "Notice of Termination" shall mean a written notice delivered to the other party indicating the specific termination provision in this Agreement relied upon for termination of Executive's employment and shall set forth in reasonable detail the

facts and circumstances claimed to provide a basis for termination of Executive's employment under the provision so indicated. Any purported termination by either party other than pursuant to a Notice of Termination shall not be effective.

L. "Payment Date" shall mean the later of the Separation from Service or the date of the Change of Control.

M. "Restricted Period" shall mean the period of [two (2)][3] [one and a half (1.5)][4] [one(1)][5] years following the Date of Termination of Executive, which termination is covered by Section 3 hereof.

N. "Separation from Service" of Executive shall mean Executive's termination of employment with the Company and its subsidiaries and if Executive's compensation is subject to taxation under the Code such termination must also qualify as a "separation from service," as defined in Treasury Regulation Section 1.409A-1(h).

O. "Termination Base Salary" shall mean the greatest annual rate of Executive's base salary in effect during the three year period ending on the Date of Termination.

3. Change of Control Benefits.

A. In the event that:

(i) Executive provides Notice of Good Reason at any time during the six month period prior to the date of a Change of Control, or during the twelve (12) month period commencing on the date of a Change of Control, and Executive has a Separation from Service by reason of Executive's voluntary termination of employment for Good Reason, or

(ii) Executive has a Separation from Service by reason of the Company's termination of Executive's employment other than for Cause during the six month period prior to the date of the Change of Control (and such termination is at the request of the successor entity of such Change of Control, or is otherwise made in anticipation of the Change of Control), or during the twelve (12) month period commencing on the date of the Change of Control,

then Executive shall receive the benefits from the Company as provided under Section 3.B. A portion of the benefits provided under Section 3.B and 3.C is deemed consideration for Executive's covenants under Section 13.

B. The benefits to be provided by the Company in the event of a Separation from Service covered by Section 3.A shall be as follows:

[3] For the agreement of the chief executive officer
[4] For all the agreements of the executive officers, other than the chief executive officer
[5] For all the agreements of non-executive key officers

(i) The Company shall pay to Executive when otherwise due Executive's then effective base salary through the Date of Termination.

(ii) The Company shall pay to Executive an amount equal to [two (2)][6] [one and a half (1.5)][7] [one(1)][8] times Executive's Termination Base Salary, payable in a lump sum within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

(iii) The Company shall pay to Executive an amount equal to [two (2)][9] [one and a half (1.5)][10] [one(1)][11] times the higher of (i) the highest actual annual bonus received by Executive during the three years prior to the year in which the Date of Termination occurs, or (ii) Executive's Bonus Amount, payable in a lump sum within thirty (30) days following such Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

(iv) In consideration of service through the Date of Termination, the Company shall pay to Executive his Bonus Amount, pro-rated through and including the Date of Termination (on the basis of a 365 day year), payable in a lump sum within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

(v) Notwithstanding any provisions to the contrary in any of the Company's Equity Plans, (i) all outstanding unvested stock options of Executive shall be and become fully vested and exercisable as to all shares of stock covered thereby, and (ii) all outstanding shares of restricted stock, all restricted shares, restricted stock units, performance shares and performance units of Executive shall be and become 100% vested and all restrictions thereon shall lapse, in each case as of the Date of Termination.

(vi) The Company shall pay to executive an amount equal to [two (2)][12] [one and a half (1.5)][13] [one(1)][14] times the annual amount the Company would

6 For the agreement of the chief executive officer
7 For all the agreements of the executive officers, other than the chief executive officer
8 For all the agreements of non-executive key officers
9 For the agreement of the chief executive officer
10 For all the agreements of the executive officers, other than the chief executive officer
11 For all the agreements of non-executive key officers
12 For the agreement of the chief executive officer
13 For all the agreements of the executive officers, other than the chief executive officer
14 For all the agreements of non-executive key officers

be required to contribute on Executive's behalf to the 401(k) plan, deferred compensation plan and any similar plan then in effect, based on Executive's Termination Base Salary and the applicable maximum Company contribution percentages in effect as of the Date of Termination, payable in a lump sum within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

(vii) Effective as of the Payment Date, Executive shall become and be fully vested in Executive's accrued benefits under all qualified pension, nonqualified pension, profit sharing, 401(k), deferred compensation and supplemental plans maintained by the Company for Executive's benefit, except to that the extent the acceleration of vesting of such benefits would violate any applicable law or require the Company to accelerate the vesting of the accrued benefits of all participants in such plan or plans, in which case the Company shall pay Executive a lump sum payment, within thirty (30) days following the Payment Date, in an amount equal to the present value of such unvested accrued benefits; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4). In addition, if such a lump sum payment is payable, the Company shall make an additional gross-up payment to Executive in an amount such that the net amount of the lump sum payment and such additional gross-up payment retained by Executive, after the calculation and deduction of all federal, foreign, state and local income tax and employment tax (including any interest or penalties imposed with respect to such taxes) on such lump sum payment and additional gross-up payment, and taking into account any lost or reduced tax deductions on account of such gross-up payment, shall be equal to such lump sum payment. Such additional gross-up payment shall be made in a lump sum payment within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

(viii) The Company shall provide Executive with additional benefits described in Section 4 hereof.

C. In the event of a Change of Control, notwithstanding any provisions to the contrary in any of the Company's Equity Plans, (i) all outstanding unvested stock options of Executive shall be and become fully vested and exercisable as to all shares of stock covered thereby, and (ii) all outstanding shares of restricted stock, all restricted shares, restricted stock units, performance shares and performance

units of Executive shall be and become 100% vested and all restrictions thereon shall lapse, in each case as of the Date of such Change of Control.

4. Additional Benefits.

A. Medical and Dental Health Benefits Premiums. In the event of a Separation from Service covered by Section 3.A, the Company shall pay to Executive an amount equal to [twenty-four (24)][15] [eighteen (18)][16] [twelve (12)][17] multiplied times the Medical and Dental Premium (as defined below), payable in a lump sum within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4). For purposes of this Section 4.A, the "Medical and Dental Premium" shall equal: (i) the monthly premium for the COBRA Continuation Coverage (determined as of the Date of Termination), less (ii) the monthly contribution required to be paid by Executive for the coverage for Executive and Executive's family under the Company's group medical and dental benefits plan (as in effect on the Date of Termination). For purposes of this Section 4.A, "COBRA Continuation Coverage" shall mean the continuation coverage required to be provided to Executive and Executive's family under the Company's group medical and dental benefits plans following Executive's Separation from Service in accordance with Title I, Subtitle B, Part 6 of ERISA and Section 4980B(f) of the Code (and if Executive is not a resident or citizen of the United States, presuming Executive would be so covered by such provisions of ERISA and the Code.

In addition, the Company shall make an additional lump sum gross-up payment to Executive in an amount such that the net amount of the lump sum payment and such additional lump sum gross-up payment retained by Executive, after the calculation and deduction of all federal, state and local income tax and employment tax (including any interest or penalties imposed with respect to such taxes) on such lump sum payment and additional lump sum gross-up payment, and taking into account any lost or reduced tax deductions on account of such gross-up payment, shall be equal to such lump sum payment. Such additional lump sum gross-up payment shall be made in a lump sum payment within thirty (30) days following the Payment Date; *provided*, that, in no event shall such lump sum payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4).

B. Relocation Expenses. In the event of a Separation from Service covered by Section 3.A, the Company shall honor any separate agreement it has entered into with Executive to reimburse Executive upon termination of employment in an amount equal to the expenses incurred by Executive in connection with

[15] For the agreement of the chief executive officer
[16] For the agreements of the executive officers, other than the chief executive officer
[17] For the agreements of non-executive key officers

Executive's relocation at the request of the Company; provided that notwithstanding the terms of such agreement, all such payments shall be made in a lump sum payment within thirty (30) days following the Payment Date. If the Company has not entered into a separate agreement with Executive regarding reimbursement of expenses incurred in relocation, then no amounts shall be payable to Executive pursuant to this Section 4.B.

5. Excise Taxes and Gross-Up Payments.

A. The benefits of this Section 5 shall only apply if (a) Executive's compensation is subject to taxation under the Code and (b) the Parachute Value (as defined below) of the aggregate payments and distributions to Executive or for Executive's benefit that are paid, payable, distributed or distributable in connection with a Change of Control, pursuant to the terms of this Agreement or any other agreement with the Company (the "Total Payments") exceeds 2.99 multiplied by the Executive's "base amount" (as defined under Section 280G(b)(3) of the Code) (the "Safe Harbor Amount") by 10% or greater. If the Parachute Value of the Total Payments to Executive satisfies or exceeds such threshold, then Executive (i) shall be entitled to the benefits and payments set forth in this Section 5, and (ii) shall be referred to in this Section 5 as "Tax Eligible Executive".

B. If the Parachute Value of the Total Payments exceed the Safe Harbor Amount by less than 10%, and the net after-tax benefit that Executive would receive if Executive received the Total Payments in their entirety would be less than the net after-tax benefit that Executive would receive if the Parachute Value (as defined below) of the Total Payments did not exceed the Safe Harbor Amount, then the Total Payments shall be reduced so that the Parachute Value of the Total Payments equals the Safe Harbor Amount. The reduction of the Total Payments shall be made in such a manner as to maximize the Value (as defined below) of the portion of the Total Payments actually made to Executive. "Parachute Value" shall mean the present value, as of the date of the change in the ownership or effective control of the corporation, or the change in the ownership of a substantial portion of the assets of the corporation, for purposes of Section 280G of the Code, of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2), as determined by the Accounting Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment. "Value" shall mean the economic present value of the Total Payments or any component thereof, as of the date of the change in the ownership or effective control of the corporation, or the change in the ownership of a substantial portion of the assets of the corporation, for purposes of Section 280G of the Code, as determined by the Accounting Firm using the discount rate required by Section 280G(d)(4) of the Code.

C. If it shall be determined that Executive is a Tax Eligible Executive and any or all of the Total Payments would be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then Tax Eligible Executive shall be entitled to receive from the Company an additional payment or payments (the "Gross-Up Payments") in an amount such that the net amount of the Total Payments and the

Gross-Up Payments retained by Tax Eligible Executive after the calculation and deduction of all Excise Taxes (including any interest or penalties imposed with respect to such taxes) on the Total Payments and all federal, state and local income tax, employment tax and Excise Tax (including any interest or penalties imposed with respect to such taxes) on the Gross-Up Payments provided for in this Section 5, and taking into account any lost or reduced tax deductions on account of the Gross-Up Payments, shall be equal to the Total Payments.

D. All determinations required to be made under this Section 5, including whether Executive is a Tax Eligible Executive, whether a reduction in the Total Payments is required, and whether and when the Gross-Up Payments are required and the amount of such Gross-Up Payments, and the assumptions to be utilized in arriving at such determinations (consistent with the provisions of the Section 5), shall be made by the Company's independent certified public accountants (the "Accountants"). The Accountants shall provide Tax Eligible Executive and the Company with detailed supporting calculations with respect to such Gross-Up Payments within fifteen (15) business days of the receipt of notice from Executive or the Company that Executive has received or will receive the Total Payments. In the event that the Accountants are also serving as accountant or auditor for the individual, entity or group effecting the Change of Control, Tax Eligible Executive shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accountants hereunder). All fees and expenses of the Accountants shall be borne solely by the Company. All determinations by the Accountants shall be binding upon the Company and Tax Eligible Executive.

E. For the purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, such Total Payments will be treated as "parachute payments" within the meaning of Section 280G of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that in the opinion of the Accountants such payment (in whole or in part) either do not constitute "parachute payments" or represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4) of the Code) in excess of the "base amount" or such "parachute payments" are otherwise not subject to such Excise Tax. For purposes of determining the amount of the Gross-Up Payments, Tax Eligible Executive shall be deemed to pay federal income taxes at the highest applicable marginal rate of federal income taxation for the calendar year in which the Gross-Up Payments are to be made and to pay any applicable state and local income taxes at the highest applicable marginal rate of taxation for the calendar year in which the Gross-Up Payments are to be made, net of the maximum reduction in federal income taxes that could be obtained from the deduction of such state or local taxes if paid if such year (determined without regard to limitations on deductions based upon the amount of Tax Eligible Executive's adjusted gross income); and to have otherwise allowable deductions for federal, state and local income tax purposes at least equal to those disallowed because of

the inclusion of the Gross-Up Payments in Tax Eligible Executive's adjusted gross income.

F. To the extent practicable, any Gross-Up Payments with respect to any Total Payments shall be paid by the Company at the time Tax Eligible Executive is entitled to receive the Total Payments and in no event will any Gross-Up Payments be paid later than thirty (30) days after the receipt by Tax Eligible Executive of the Accountant's determination; *provided*, that, in the case of any Gross-Up Payment made in respect of a benefit under Section 3.B(ii), (iii), (iv), (vi) or (vii) or Section 4.A, in no event shall such Gross-Up Payment be paid after the last day of the applicable two and one half month period of the "short-term deferral" exemption under Treasury Regulation Section 1.409A-1(b)(4). As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accountants hereunder, it is possible that the Gross-Up Payments made will have been an amount less than the Company should have paid pursuant to this Section 5 (the "Underpayment"). In the event that the Company exhausts its remedies pursuant to Section 5 and Tax Eligible Executive is required to make a payment of any Excise Tax, the Underpayment shall be promptly paid by the Company to or for Tax Eligible Executive's benefit.

G. Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payments. Such notification shall be given as soon as practicable after Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Tax Eligible Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which Tax Eligible Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes, interest and/or penalties with respect to such claim is due). If the Company notifies Tax Eligible Executive in writing prior to the expiration of such thirty (30) day period that it desires to contest such claim, Tax Eligible Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) cooperate with the Company in good faith in order to effectively contest such claim; and

(iv) permit the Company to participate in any proceedings relating to such claims; *provided, however*, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify Tax Eligible

Executive for, advance expenses to Tax Eligible Executive for, defend Tax Eligible Executive against and hold Tax Eligible Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of all related costs and expenses. Without limiting the foregoing provisions of this Section 5, the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Tax Eligible Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and Tax Eligible Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; *provided, however*, that if the Company directs Tax Eligible Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to Tax Eligible Executive, on an interest-free basis, and shall indemnify Tax Eligible Executive for, advance expenses to Tax Eligible Executive for, defend Tax Eligible Executive against and hold Tax Eligible Executive harmless from, on an after-tax basis, any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance (including as a result of any forgiveness by the Company of such advance); provided, further, that any extension of the statute of limitations relating to the payment of taxes for the taxable year of Tax Eligible Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which Gross-Up Payments would be payable hereunder and Tax Eligible Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. All costs and expenses (including additional interest and penalties) paid or to be reimbursed by the Company shall be paid or reimbursed not later than the end of Executive's taxable year following Executive's taxable year in which the taxes that are subject to the audit or litigation are remitted to the taxing authority, or where as a result of such audit or litigation there taxes are remitted, the end of the Executive's taxable year following the Executive's taxable year in which the audit is completed or there is a final and nonappealable settlement or other resolution of the litigation, in accordance Treasury Regulation Section 1.409A-3(i)(1)(v).

H. The Gross-Up Payments shall be paid to Executive during Executive's employment, or following the termination of Executive's employment, as determined under the foregoing provisions; *provided, however*, the Gross-Up Payments shall be made not later than the end of Executive's taxable year next following Executive's taxable year in which Executive remits the related taxes in

accordance with Treasury Regulation Section 1.409A-3(i)(1)(v). To the extent required by Section 409A of the Code or the Treasury Regulations thereunder, any Gross-Up Payment made with respect to any portion of the Total Payments that is payable upon Executive's Separation from Service shall be payable only upon the Executive's Separation from Service and shall be subject to Section 6.

6. Compliance with and Exemption from Section 409A of the Code.

A. Certain payments and benefits payable under this Agreement are intended to comply with, or be exempt from, the requirements of Section 409A of the Code. This Agreement shall be interpreted in accordance with the applicable requirements of, and exemptions from, Section 409A of the Code and the Treasury Regulations thereunder. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code, the Treasury Regulations thereunder and any applicable transitional relief or other authority thereunder. If the Company and Executive determine that any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Sections 409A(a)(2), (3) and (4) of the Code do not comply with Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, to the extent permitted under Section 409A of the Code, the Treasury Regulations thereunder and any applicable authority issued by the Internal Revenue Service, the Company and Executive agree to amend this Agreement, or take such other actions as the Company and the Executive deem reasonably necessary or appropriate, to cause such compensation, benefits and other payments to comply with the requirements of Section 409A of the Code, the Treasury Regulations thereunder and other applicable authority issued by the Internal Revenue Service, while providing compensation, benefits and other payments that are, in the aggregate, no less favorable then the compensation, benefits and other payments provided under this Agreement. In the case of any compensation, benefits or other payments that are payable under this Agreement and intended to comply with Sections 409A(a)(2), (3) and (4) of the Code, if any provision of the Agreement would cause such compensation, benefits or other payments to fail to so comply, such provision shall not be effective and shall be null and void with respect to such compensation, benefits or other payments, to the extent such provision would cause a failure to comply and such provision shall otherwise remain in full force and effect.

B. If Executive is a "specified employee," as defined in Treasury Regulation Section 1.409A-1(i), on the date of Executive's Separation from Service, to the extent required by Section 409A of the Code and the Treasury Regulations thereunder, any payments or benefits under this Agreement subject to Section 409A of the Code shall be delayed in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, and such payments or benefits shall be paid or distributed to Executive during the thirty (30) day period commencing on the earlier of (i) the expiration of the six-month period measured from the date of

Executive's Separation from Service or (ii) the date of the Executive's death. Upon the expiration of the applicable six-month period under Section 409A(a)(2)(B)(i) of the Code, all payments deferred pursuant to this Section 6 shall be paid in a lump sum payment to Executive.

7. Mitigation.

Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise nor, except as provided in Section 4.A, shall the amount of any payment or benefit provided for in this Agreement be reduced by any compensation earned or benefit received by Executive as the result of employment by another employer or self-employment, by retirement benefits, by offset against any amount claimed to be owed by Executive to the Company or otherwise.

8. Successor Agreement.

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume this Agreement and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place. All references herein to Company shall include the successor entity.

9. Indemnity.

In any situation where under applicable law the Company has the power to indemnify, advance expenses to and defend Executive in respect of any judgements, fines, settlements, loss, cost or expense (including attorneys fees) of any nature related to or arising out of Executive's activities as an agent, employee, officer or director of the Company or in any other capacity on behalf of or at the request of the Company, then the Company shall promptly on written request, indemnify Executive, advance expenses (including attorney's fees) to Executive and defend Executive to the fullest extent permitted by applicable law, including but not limited to making such findings and determinations and taking any and all such actions as the Company may, under applicable law, be permitted to have the discretion to take so as to effectuate such indemnification, advancement or defense. Such agreement by the Company shall not be deemed to impair any other obligation of the Company respecting Executive's indemnification or defense otherwise arising out of this or any other agreement or promise of the Company under any statute.

10. Notice.

For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and delivered by United States certified or registered mail (return receipt requested, postage prepaid) or by courier guaranteeing overnight delivery or by hand delivery (with signed receipt required), addressed to the respective addresses set forth below, and such notice or communication shall be deemed to have been duly given two days after deposit in the mail, one day after deposit with such

overnight carrier or upon delivery with hand delivery. The addresses set forth below may be changed by a writing in accordance herewith.

The Company:

ResMed Inc.
14040 Danielson Street
Poway, CA 92064-6857
Attn: Chief Executive Officer
with a copy to General Counsel

Executive:

11. Dispute Resolution.

If any dispute arises out of this Agreement, the "complaining party" shall give the "other party" written notice of such dispute. The other party shall have ten (10) business days to resolve the dispute to the complaining party's satisfaction. If the dispute is not resolved by the end of such period, the complaining party may by written notice (the "Notice") demand arbitration of the dispute as set out below, and each party hereto expressly agrees to submit to, and be bound by, such arbitration.

A. Each party will, within ten (10) business days of the Notice, nominate an arbitrator. Each nominated arbitrator must be someone experienced in dispute resolution and of good character without moral turpitude and not within the employ or direct or indirect influence of the nominating party. The two nominated arbitrators will, within ten (10) business days of nomination, agree upon a third arbitrator. If two (2) appointed arbitrators cannot agree on a third arbitrator within such period, the parties may seek such an appointment through any permitted court proceeding or by the American Arbitration Association ("AAA"). The three arbitrators will set the rules and timing of the arbitration, but will generally follow the rules of the AAA and this Agreement where same are applicable and shall provide for written fact findings.

B. The arbitration hearing will in no event take place more than ninety (90) days after the appointment of the third arbitrator.

C. The arbitration will take place in San Diego County, California, unless otherwise unanimously agreed to by the parties.

D. The results of the arbitration and the decision of the arbitrators will be final and binding on the parties and each party agrees and acknowledges that these results shall be enforceable in a court of law.

12. Governing Law.

This Agreement will be governed by and construed in accordance with the internal substantive laws, and not the choice of law rules, of the State of Delaware.

13. Compliance With Applicable Code Section 409A.

A. The provisions of this Section 12 shall be effective only if Executive's compensation is subject to taxation under the Code. Except with respect to any Gross-Up Payments or other payments under Section 5, this Agreement is not intended to provide for any deferral of compensation subject to Code Section 409A and, accordingly, the benefits provided pursuant to this Agreement (other than any Gross-Up Payments or other payments under Section 5) shall be paid not later than the later of: (i) the fifteenth day of the third month following Executive's first taxable year in which such benefit is no longer subject to a substantial risk of forfeiture, and (ii) the fifteenth day of the third month following the first taxable year of the Company in which such benefit is no longer subject to a substantial risk of forfeiture, as determined in accordance with Code Section 409A and Treasury Regulation Section 1.409A-1(b)(4). For purposes of this Section 12.A, "substantial risk of forfeiture" shall have the meaning set forth in Treasury Regulation Section 1.409A-1(d).

B. Any Gross-Up Payments or other payments under Section 5 provide for a deferral of compensation subject to Code Section 409A and, accordingly, the benefits provided pursuant to Section 5 of this Agreement are intended to be paid in accordance with the requirements of Code Section 409A and Treasury Regulation Section 1.409A-3(i)(1)(v).

14. Non-Competition, Non-Solicitation, Confidentiality and Non-Disparage Covenants.

A. Non-Competition. Executive acknowledges that he has been provided and will continue to be provided trade secret information of the Company in connection with his duties as an employee and officer of the Company. In order to prevent the misuse of trade secret information and in consideration of a portion of the payments being provided to Executive under Sections 3.B(ii), (iii) and (vi) and a portion of the accelerated vesting provided under Sections 3.B.(v) and 3.C, Executive agrees that throughout the Restricted Period, Executive shall not, anywhere in the world, directly or indirectly (i) engage without the prior express written consent of the Company, in any business or activity, whether as an employee, consultant, partner, principal, agent, representative, stockholder (except as a holder of less than 2% of the combined voting power of the outstanding stock of a publicly held company) or in any other individual, corporate or representative capacity, or render any services or provide any advice to any business, activity, person or entity, if Executive knows or reasonably should know that such business, activity, service, person or entity, directly or indirectly, competes in any material manner with the Business; or (ii) meaningfully assist, help or otherwise support, without the prior express written consent of the Company, any person, business, corporation, partnership or other entity or activity, whether as an employee, consultant, partner, principal, agent, representative, stockholder (other than in the capacity as a stockholder of less than 2% of the combined voting power of the outstanding shares of stock of a publicly held company) or in any other individual, corporate or representative capacity, to create, commence or otherwise initiate, or to develop, enhance or

otherwise further, any business or activity if Executive knows or reasonably should know that such business or activity, directly or indirectly competes in any material manner with the Business. For purposes of this Section 13, the term "Business" shall refer to the business of the Company as then presently conducted and as conducted on the Date of Termination. As of the date of this Agreement, the business of the Company, generally, involves the development, manufacture and distribution of medical equipment for treating, diagnosing, and managing sleep-disordered breathing and other respiratory disorders. Executive acknowledges that the restrictions set forth in this section 13.A. do not have the effect of preventing him from practicing his profession, trade or business, and they do not impose a financial hardship upon him. Executive agrees that, in addition to any other remedies available to the Company under applicable law, in the event of a breach of this Section 13.A.: (1) Executive shall immediately return (or otherwise pay) to the Company the twenty percent (20%) of the payments made under Sections 3.B(ii), (iii) and (vi); and (2) twenty percent (20%) of all unexercised options, all shares of restricted stock and all other equity awards vested pursuant to Sections 3.B.(v) and 3.C shall be surrendered by Executive and cancelled (or as to shares sold, the then current value of such shares shall be paid by Executive to the Company; and (3) with respect to twenty percent (20%) to any options vested pursuant to Section 3.B(v) and 3.C that were exercised, Executive shall pay to the Company an amount equal to the difference between the exercise price and the closing price of such shares on the date of exercise multiplied by the number of shares subject to the options exercised. Executive acknowledges that twenty percent (20%) of the payment required under Sections 3.B (ii), (iii) and (vi) and twenty percent (20%) of the accelerated vesting provided for under Section 3.B(v) and 3.C are provided to executive solely in exchange for his agreement under this Section 13.A.

B. Non-Solicitation. As an additional inducement for the Company to enter into this Agreement, Executive agrees that throughout the Restricted Period, Executive shall not, directly or indirectly solicit any person in the employment of the Company to (i) terminate such employment, or (ii) accept employment, or enter into any consulting arrangement, with anyone other than the Company.

C. Confidentiality. Throughout the term of this Agreement, the Restricted Period and thereafter, Executive shall not, directly or indirectly, use for his personal benefit or for the benefit of any person, firm, corporation, association or other entity other than the Company, or disclose or make available to any person, firm, corporation, association or other entity for any reason or purpose whatsoever, any Confidential Information (as defined below). Executive agrees that, upon termination of Executive's employment with the Company, all Confidential Information in Executive's possession that is in writing or other tangible form (together with all copies or duplicates thereof, including computer files) shall be returned to the Company and shall not be retained by Executive or furnished to any third party, in any form except as provided herein; *provided*, *however*, that Executive shall not be obligated to treat as confidential, or return to the Company copies of any Confidential Information that (i) was publicly known at the time of disclosure to Executive, (ii)becomes publicly known or available thereafter

other than by any means in violation of this Agreement or any other duty owed to Company by any person or entity, or (iii)is lawfully disclosed to Executive by a third party. As used in this Agreement, the term "Confidential Information" means: information disclosed to Executive or known by Executive as a consequence of or through Executive's relationship with the Company, about the customers, employees, business methods, operations, public relations, contracts, organization, procedures, finances, customer lists, rates and prospects of the Company and its affiliates.

D. Non-Disparage. Executive shall refrain during the term of this Agreement and throughout the Restricted Period, from publishing any oral or written statements about Company, any of its affiliates or any of Company's or such affiliates' directors, officers, employees, consultants, agents or representatives that (a) are slanderous, libelous or defamatory, (b) disclose private information about or confidential information of Company, any of its affiliates or any of Company's or any such affiliates' business affairs, directors, officers, employees, consultants, agents or representatives, or (c) place Company, any of its affiliates, or any of Company's or any such affiliates' directors, officers, employees, consultants, agents or representatives in a false light before the public. A violation or threatened violation of this prohibition may be enjoined by the courts. The rights afforded Company and its affiliates under this provision are in addition to any and all rights and remedies otherwise afforded by law.

E. General Release. As an additional inducement for the Company to enter into this Agreement, and as a condition to payment and provision of benefits under this Agreement to Executive or Executive's estate, Executive agrees that Executive (or Executive's trust or estate, as applicable) shall execute and deliver and not revoke within any revocation period required by law, a general release of claims in favor of the Company and its employees, directors, agents and affiliates in a form acceptable to the Company in its sole and absolute discretion.

F. Remedies. Executive agrees and acknowledges that Executive's right to receive any of the benefits set forth in Sections 3, 4 and 5 (to the extent Executive is otherwise entitled to such payments) is conditioned upon Executive's compliance with the covenants in this Section 13, and all benefits granted to Executive under this Agreement shall terminate immediately upon Executive's breach of any covenant in this Section 13 and Executive shall be responsible for refunding to the Company the benefits previously received under this Agreement.

G. Reasonable Restrictions. Executive acknowledges that these restrictions shall not prevent or unduly restrict Executive from practicing his profession, or cause him economic hardship. Executive represents that he (i) is familiar with the foregoing covenants not to compete and not to solicit, and (ii) is fully aware of his obligations hereunder, including, without limitation, the reasonableness of the length of time, scope and geographic coverage of these covenants.

15. Other Severance Payments or Benefits.

In the event Executive's employment is terminated and such termination qualifies for benefits under Section 3 of this Agreement, the payments and benefits provided for in Sections 3, 4 and 5 of this Agreement will be provided in lieu of any other severance payment or benefit under any other plan or program of the Company or agreement between Executive and the Company.

16. Cooperation.

During Executive's employment with the Company and thereafter, Executive agrees to cooperate with the Company and its agents, accountants and attorneys concerning any matter with which Executive was involved during his employment. Such cooperation shall include, but not be limited to, providing information to, meeting with and reviewing documents provided by the Company and its agents, accountants and attorneys during normal business hours or other mutually agreeable hours upon reasonable notice and to make himself available for depositions and hearings, if necessary and upon reasonable notice. If Executive's cooperation is required after the termination of Executive's employment, the Company shall reimburse Executive for any reasonable out of pocket expenses incurred in performing his obligations hereunder.

17. Entire Agreement; No Oral Modifications.

This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Executive and such officer as may be designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement to be effective the date first above written.

EXECUTIVE

RESMED INC.,
a Delaware corporation

By
And

RESMED INC.

SUBSIDIARIES OF THE REGISTRANT

ResMed Corp. (a Minnesota corporation)

ResMed US Assembly Inc. (a Delaware corporation)

ResMed (Malaysia) Sdn Bhd (a Malaysian Corporation)[2]

ResMed (UK) Limited (a United Kingdom corporation)[1]

ResMed (EPN) Limited (a United Kingdom corporation)[1]

ResMed Asia Pacific Limited (incorporated under the laws of New South Wales, Australia)[1]

ResMed Deutschland GmbH (a German corporation, formerly ResMed Beteiligungs GmbH)[3]

ResMed EAP Holdings Inc. (a Delaware corporation)

ResMed Finland OY (a Finland corporation)[2]

ResMed Holdings Limited (incorporated under the laws of New South Wales, Australia)

ResMed Hong Kong Limited (a Hong Kong corporation)[2]

ResMed Germany Inc. (a Delaware corporation, formerly ResMed International Inc.)

ResMed KK (a Japanese corporation)[2]

ResMed Limited (incorporated under the laws of New South Wales, Australia)[1]

ResMed Asia Operations Pty Ltd (incorporated under the laws of New South Wales, Australia)[1]

ResMed New Zealand Limited (a New Zealand Corporation)[2]

ResMed GmbH Verwaltung (a German corporation)

ResMed GmbH and Co KG (a German corporation)[4]

ResMed SAS (a French corporation)[2]

ResMed Singapore Pte Ltd (a Singaporean corporation)[2]

ResMed Spain SL (a Spanish corporation)[2]

ResMed Sweden AB (a Swedish corporation)[2]

ResMed Motor Technologies Inc. (a Delaware corporation) (Formerly Servo Magnetics Inc.)

ResMed Schweiz AG (A Swiss corporation, formerly Labhardt AG)[2]

ResMed Austria Medizintechnik GmbH (an Austrian corporation)[2]

MAP Medizin-Technologie GmbH (a German corporation)[4]

MAP Beteiligungs GmbH (a German corporation)[5]

Take Air Medical Handels GmbH (a German corporation)[6]

OCA Beteiligung AG (a Luxembourg corporation)[6]

ResMed Medizintechnik GmbH (a German corporation)[9]

ResMed Brasil Ltda (a Brazilian corporation)[7]

ResMed Norway AS (a Norwegian corporation, formerly PolarMed AS)[2]

ResMed Nederland BV (a Netherlands corporation)[2]

ResMed Paris SAS (a French corporation)[8]

ResMed Property Trust (incorporated under the laws of New South Wales, Australia)[1]

ResMed Mexico, S de R.L. de C.V.[2]

ResMed India Private Ltd[2]

ResMed (Beijing) Commercial Co., Ltd[2]

ResMed Enterprise Management (Shenzhen) Co., Ltd[2]

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[1]A subsidiary of ResMed Holdings Limited
[2]A subsidiary of ResMed EAP Holdings Inc.
[3]A subsidiary of ResMed Germany Inc.
[4]A subsidiary of ResMed Deutschland GmbH
[5]A subsidiary of MAP Medizin-Technologie GmbH
[6]A subsidiary of ResMed Paris SAS
[7]A subsidiary of ResMed Corp.
[8]A subsidiary of ResMed SAS
[9]A subsidiary of ResMed GmbH and Co KG

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

The Board of Directors and Stockholders
ResMed Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-08013, 333-88231, 333-115048 and 333-156065) on Form S-8 and the registration statements (Nos. 333-70500 and 333-100825) on Form S-3 of ResMed Inc. of our reports dated August 20, 2009, with respect to the consolidated balance sheets of ResMed Inc. as of June 30, 2009 and 2008, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended June 30, 2009, and the related financial statement schedule, and the effectiveness of internal control over financial reporting as of June 30, 2009, which reports appear in the June 30, 2009 annual report on Form 10-K of ResMed Inc.

/s/ KPMG LLP

San Diego, California
August 20, 2009

Certification of Chief Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kieran T. Gallahue, certify that:

1. I have reviewed this annual report on Form 10-K of ResMed Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting practices; and
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 18, 2009

/s/ KIERAN T. GALLAHUE
Kieran T. Gallahue
Chief Executive Officer

Certification of Chief Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Brett Sandercock, certify that:

1. I have reviewed this annual report on Form 10-K of ResMed Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I, are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting practices; and
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 18, 2009

/s/ BRETT A. SANDERCOCK
Brett A. Sandercock
Chief Financial Officer

The following certifications are being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350 and in accordance with SEC Release No. 33-8238. These certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall they be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Certification of Chief Executive Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ResMed Inc., a Delaware corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended June 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 18, 2009

/s/ KIERAN T. GALLAHUE

Kieran T. Gallahue
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to ResMed Inc. and will be retained by ResMed Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Certification of Chief Financial Officer

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of ResMed Inc., a Delaware, corporation (the "Company"), hereby certifies, to his knowledge, that:

(i) the accompanying Annual Report on Form 10-K of the Company for the year ended June 30, 2009 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 18, 2009

/s/ BRETT A. SANDERCOCK

Brett A. Sandercock
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to ResMed Inc. and will be retained by ResMed Inc. and furnished to the Securities and Exchange Commission or its staff upon request.