Cantel Medical

2010 Annual Report

DEDICATED TO INFECTION PREVENTION & CONTROL

Cantel Medical Corp.

Cantel Medical Corp. is a leading provider of infection prevention and control products and services in the healthcare market, specializing in the following operating segments:

- **Water Purification and Filtration:** Water purification equipment and services, filtration and separation products, and disinfectants for the medical, pharmaceutical, biotech, beverage and commercial industrial markets. This segment is operated through Mar Cor Purification, Inc. and Minntech Corporation.
- **Healthcare Disposables:** Single-use, infection prevention and control products used principally in the dental market including face masks, sterilization pouches, towels and bibs, tray covers, saliva ejectors, germicidal wipes, plastic cups and disinfectants. This segment is operated through Crosstex International, Inc.
- **Endoscope Reprocessing:** Medical device reprocessing systems, disinfectants, detergents and other supplies used to high-level disinfect flexible endoscopes. This segment is operated through Minntech Corporation.
- **Dialysis:** Medical device reprocessing systems, sterilants/disinfectants, dialysate concentrates and other supplies for renal dialysis. This segment is operated through Minntech Corporation.
- **Therapeutic Filtration:** Hollow fiber membrane filtration and separation technologies for medical applications. This segment is operated through Minntech Corporation.
- **Specialty Packaging:** Specialty packaging and thermal control products, as well as related compliance training, for the transport of infectious and biological specimens and thermally sensitive pharmaceutical, medical and other products. This segment is operated through Saf-T-Pak Inc.
- **Chemistries:** Sterilants, disinfectants, detergents and decontamination services used in various applications for infection prevention and control. This segment is operated through Minntech Corporation.

Selected Financial Highlights

(Dollar amounts in thousands, except per share data)

	2010	2009	2008	2007	2006
Net sales	**$273,952**	$260,050	$249,374	$219,044	$192,179
Income from continuing operations	**19,941**	15,569	8,693	8,104	6,653
Income from discontinued operations	**—**	—	—	342	10,268
Gain on disposal of discontinued operations	**—**	—	—	—	6,776
Net income	**$ 19,941**	$ 15,569	$ 8,693	$ 8,446	$ 23,697
Diluted earnings per common share:					
Continuing operations	**$ 1.18**	$ 0.94	$ 0.53	$ 0.50	$ 0.41
Discontinued operations	**—**	—	—	0.02	0.63
Gain on disposal of discontinued operations	**—**	—	—	—	0.42
Net income	**$ 1.18**	$ 0.94	$ 0.53	$ 0.52	$ 1.46
Total assets	**$280,665**	$277,871	$279,190	$263,671	$238,227
Stockholders' equity	**$209,405**	$187,116	$168,712	$155,070	$140,805
Equity per share	**$ 12.42**	$ 11.24	$ 10.31	$ 9.62	$ 9.14

To Our Shareholders:

Fiscal 2010 was another banner year for Cantel Medical as the Company achieved record sales, net income, and earnings before interest, taxes, depreciation, amortization and stock-based compensation (EBITDAS). Our outstanding results were driven by a number of factors, but most important was our success in increasing sales of higher margin consumables, such as face masks, disinfectants and sterilants, as well as parts and service. These recurring revenues now make up approximately 75% of Cantel's overall sales. Significantly, we strengthened the Company's position as a pure play leader in the infection prevention and control market.

In each of our three largest operating segments, as measured by sales, Water Purification and Filtration, Healthcare Disposables and Endoscope Reprocessing, earnings growth exceeded 25%. This excellent performance resulted from positive sales mix, success from new product introductions, harvesting our sales and marketing investments, and capitalizing on cost reduction and productivity programs. We partially benefited from unusually high shipments of face masks in the first five months of the fiscal year because of the outbreak of the H1N1 flu.

Despite a very challenging economic environment, fiscal 2010 revenue of $273,952,000 increased 5% over last year's revenue of $260,050,000. Net income of $19,941,000, or $1.18 per diluted share, was up 28% compared with net income of $15,569,000, or $0.94 per diluted share, in fiscal 2009.

The Company's balance sheet continued to strengthen. At July 31, 2010, we had cash and cash equivalents of $22,612,000, gross debt of $21,000,000 and stockholders' equity of $209,405,000. Our net debt of $19,932,000 at July 31, 2009 was eliminated by the end of the fiscal year and turned to a net cash position of $1,612,000 at July 31, 2010. Cash flow from operating activities for fiscal 2010 was $29,033,000, or $1.71 per diluted share. EBITDAS increased 13% from the prior year to $47,471,000, or $2.80 per diluted share.

Our strong financial position enables us to pursue a three prong strategic approach to long-term, sustainable profit growth: (1) new product development, (2) investment in sales and marketing and (3) acquisitions. Each of these three strategies is described at length below. Our expanded product development and investments in sales and marketing are designed to achieve above-market core growth, while our long-time and proven strategy of making acquisitions is intended to build on our existing infection prevention and control platforms. In many cases, our three approaches to growth are complementary. For example, acquisitions have brought new sales and marketing resources, as well as new products. Sales and marketing investments, including additional staff, have increased our capability to launch new products and lead new product development initiatives.

New Product Development

We view new product development as the most important strategy to achieve core growth. During fiscal 2010, we enjoyed a full year of benefits from products launched during fiscal 2009. In the Endoscope Reprocessing business, we were very successful worldwide in marketing our new state-of-the-art Advantage® Plus automated endoscope reprocessor, along with its new proprietary single-use chemistry Rapicide® PA. Our Healthcare Disposables segment achieved great market penetration with our unique patent-pending Sure-Check™ Sterilization Pouches and Comfort Plus® Saliva Ejectors. In the Water Purification segment, we significantly increased sales of our MicroFree™ Teflon® tubing distribution loop systems for dialysis clinics. The Water Purification team also continued to expand the market penetration of our Actril® ready-to-use peracetic acid-based cold sterilant in clean rooms of a major multi-national biopharmaceutical company.

During fiscal 2010 and through the first quarter of fiscal 2011, we fully launched a number of additional new products. In the third quarter of fiscal year 2010, we received FDA clearance to market our new mid-range endoscope reprocessor, the DSD-Edge, which uses Rapicide® PA single-use chemistry. This product is now available worldwide. In September 2010, we enhanced our biotech and pharmaceutical water purification systems offering with the launch of a new line of heat sanitizable water systems, the VPure 4400H.

We continue to develop exciting new healthcare disposables. In October 2010, we launched a new, innovative face mask line called Secure-Fit™. This latest generation of ear-loop face masks has a patent-pending design that arose partially as a result of our sponsorship of independent research recently published in *The American Journal of Infection Control* in September 2010. The Secure-Fit face mask, with its unique easily adjustable tighter fitting design, successfully addresses two key outcomes of this study. First, a tighter fitting mask is up to 100 times more effective in protecting against infection than a loose fitting mask. Second, if medical face masks are used as "source control" to protect others from the wearer's germs, they can reduce exposure to germs by up to 300 times.

In fiscal 2011, we intend to increase incremental R&D and product development expenses by more than $2 million to greatly accelerate our new product introductions going forward. The most significant efforts will be targeted on increasing the size and offerings in our new liquid chemical germicide segment, called "Chemistries." Our Chemistries group, being led by a senior executive hired in March 2010, and with a very talented team, has prioritized several new and approved product and service areas. Significant progress has already been made. These developments include an expansion of our chemical fogging offerings, new surface disinfectants, new chemistries for use in endoscope reprocessing and alternative uses for our antimicrobial licensed product BioSafe. Several products currently being developed will be launched in fiscal 2011, as well as in fiscals 2012 and 2013.

Tangible examples of our focused efforts in Chemistries include the launch in September 2010 of a new novel room temperature contract sterilization service under the trade name Revox, and two recently validated new variants of our Rapicide PA high level disinfectant, which we have submitted to our notified bodies for sale in major markets around the world. Both of these products should yield sales in fiscal 2011.

We are also optimistic as we go forward of our initiatives in our Therapeutic Filtration segment. We continue to work with several biotech companies to help them develop highly specialized and novel products that benefit from our hollow fiber filtration technology. In some cases, we have also negotiated rights to sell finished products in markets outside the United States. We will be selling at least two of these new therapeutic products in Asia during fiscal 2011.

Sales and Marketing Investments

The second facet of our growth strategy has been significant investments in sales and marketing. In fiscal 2010, we increased spending in this area by more than $5 million. Broadly, these investments have helped our businesses to grow at above market rates.

No investment better symbolizes the success of this strategy than the continued expansion of our United States direct hospital sales and service team in the Endoscope Reprocessing segment. This team has just completed its fourth year since we made the decision to field a direct sales force. In fiscal 2010, we added additional sales, service, clinical support and marketing personnel. The results were outstanding. In the Endoscope Reprocessing business, worldwide sales grew by 25% and operating income increased by 28%. The United States sales and service group has been responsible for the majority of this growth. This team has not only successfully taken market share, but they have very effectively launched a number of new products.

In our Crosstex healthcare disposables business, we added sales personnel and expanded the use of diverse marketing tools to improve coverage, promote new products and expand in alternative channels outside of the dental office. This team has done a solid job improving the business in markets that have been essentially flat for the past two years.

We also added sales and service resources in our Water Purification and Filtration business. The teams have very effectively found growth by significantly increasing our sales of consumables and service, more than offsetting weakness in the capital equipment business that has been negatively affected by the economic downturn. On a sales increase of about 8%, operating income in this segment grew by 27%, mostly due to this product mix shift, which was a key strategy of the sales team.

From a geographic perspective, we increased resources significantly in Asia to capitalize on these higher growth markets. We have expanded our teams in China and Singapore and are looking for significant growth in the future.

Overall, we are confident our investments in sales and marketing have positioned us well for continued growth going forward as we strive to be closer to our customers and attain a greater understanding of their needs. In fiscal 2011, we will begin to leverage some of these large investments, while still selectively adding resources where we see opportunities.

Acquisitions

The third key part of our growth strategy is acquisitions. Cantel spends significant time and resources searching for and evaluating strategic acquisitions. As we entered fiscal 2010, we had just completed the acquisition of the assets of G.E.M. Water Systems Int'l, LLC located outside of Los Angeles, California. This acquisition enhanced the national service coverage for our Water Purification and Filtration segment, provided direct access to the large West Coast market and added a large number of dialysis customers to our customer base.

On June 1, 2010, we acquired Purity Water Company of San Antonio, Inc. in San Antonio, Texas. Similar to the G.E.M. acquisition, this further expanded our national reach and gave us better coverage in a large market, in this case, Texas and surrounding states.

On October 6, 2010, in the first quarter of fiscal 2011, we continued our strategy of building greater critical mass in water purification and filtration by acquiring the United States water business of Gambro. This significant acquisition added $14 million in revenues while adding great new technology to our Water Purification and Filtration segment. In this key acquisition, we acquired the exclusive rights to manufacture and sell Gambro's water treatment products in the United States. The benefits from this transaction were numerous. We established our position as the clear leader in the Unites States dialysis water market, while acquiring new products and technology that expanded our capabilities to our customers. We also will benefit from manufacturing synergies as we bring on production of these new products into our current facilities. Additionally, we now have a larger base of customers in which to sell our disposables, parts and services.

We continue to actively seek synergistic acquisitions in several key areas. In particular, we look to further enhance our product offering and service coverage in water purification, expanding our healthcare disposables product lines, especially into alternative channels such as the large hospital market, adding to the growth of our chemistries business, and looking to expand geographically in related product segments. Our pipeline is very healthy, and our financial resources and integration experience are well established.

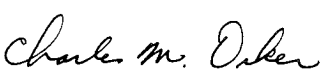
Looking Forward

There has been substantial growth in public awareness and concerns regarding infection risks worldwide. This has resulted in an increased demand for infection prevention and control products and services, including those offered by our Company. We see this multi-billion dollar market continuing to grow long into the future with rapidly increasing global awareness. Cantel's singular focus on infection prevention and control positions us well to continue our growth in sales and profits. We benefit from our broad range of businesses, all of which have leadership positions in their served markets.

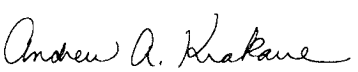
Overall, these excellent market opportunities, combined with our strong fiscal 2010 performance and our aggressive three prong strategic approach to growth, provide tremendous momentum and should yield benefits in fiscal 2011 and beyond.

During fiscal 2010, in recognition of the Company's sustained strong financial performance and outstanding cash flow, the Board of Directors declared, for the first time, a semi-annual dividend of $0.05 per share, or $0.10 per share annually. The Board believes that it is in the best interests of our shareholders to pay regular semiannual dividends. Dividends were paid on January 29, 2010 and July 30, 2010. On October 21, 2010, the Board of Directors was pleased to announce its approval of an increased semiannual dividend to $0.06 per share, or $0.12 per share annually.

In summary, we thank all of our customers, suppliers and shareholders for their continued confidence, and our Directors for support and guidance throughout the year. The Cantel team is committed to providing our customers with superior products and service, while at the same time profitably growing our businesses and benefiting shareholders. Most importantly, we sincerely thank our over 900 employees for their dedication and invaluable contributions to the Company's success. It is through their efforts that Cantel Medical achieved one of the best performances in its history in fiscal 2010. Further, it will be through their exceptional hard work that Cantel will successfully implement its aggressive growth strategy, and continue improving the Company's performance for years to come.



Charles M. Diker
Chairman of the Board



Andrew A. Krakauer
President and CEO

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

Form 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended July 31, 2010

or

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

For the transition period from to

Commission File No. 001-31337

CANTEL MEDICAL CORP.
(Exact name of registrant as specified in its charter)

Delaware	**22-1760285**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
150 Clove Road, Little Falls, New Jersey	**07424**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: **(973) 890-7220**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.10 par value	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 ☐ No ☒

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

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 ☒ 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 Regulation S-K (§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. Yes ☐ No ☒

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 "small reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ 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 ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter, as quoted by the New York Stock Exchange on that date: $257,683,273.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the close of business on September 17, 2010: 16,866,284

Documents incorporated by reference: Definitive proxy statement to be filed pursuant to Regulation 14A promulgated under the Securities Exchange Act of 1934 in connection with the 2010 Annual Meeting of Stockholders of Registrant.

Forward Looking Statements

This Annual Report on Form 10-K contains "forward-looking statements" as that term is defined under the Private Securities Litigation Reform Act of 1995 and releases issued by the Securities and Exchange Commission (the "SEC") and within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements are based on current expectations, estimates, or forecasts about our businesses, the industries in which we operate, and the beliefs and assumptions of management; they do not relate strictly to historical or current facts. We have tried, wherever possible, to identify such statements by using words such as "expect," "anticipate," "goal," "project," "intend," "plan," "believe," "seek," "may," "could," and variations of such words and similar expressions. In addition, any statements that refer to predictions or projections of our future financial performance, anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. Readers are cautioned that these forward-looking statements are only predictions about future events, activities or developments and are subject to numerous risks, uncertainties, and assumptions that are difficult to predict including, among other things, the following:

- the increasing market share of single-use dialyzers relative to reuse dialyzers in the United States
- our continuing loss of dialysate concentrate business
- our dependence on a concentrated number of customers in three of our largest segments
- severity of flu outbreaks and level of urgency developed by customers with respect to pandemic preparedness
- the volatility of fuel and oil prices on our raw materials and distribution costs
- the acquisition of new businesses and successfully integrating and operating such businesses
- the adverse impact of increased competition on selling prices and our ability to compete effectively
- foreign currency exchange rate fluctuations and trade barriers
- the impact of significant government regulation on our businesses

You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the foregoing items to be a complete list of all potential risks or uncertainties. See "Risk Factors" below for a discussion of the above risk factors and certain additional risk factors that you should consider before investing in the shares of our common stock.

All forward-looking statements herein speak only as of the date of this report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act.

PART I

Item 1. BUSINESS.

General

We are a leading provider of infection prevention and control products and services in the healthcare market, specializing in the following operating segments:

- Water Purification and Filtration: Water purification equipment and services, filtration and separation products, and disinfectants for the medical, pharmaceutical, biotech, beverage and commercial industrial markets.

- Healthcare Disposables: Single-use, infection prevention and control products used principally in the dental market including face masks, sterilization pouches, towels and bibs, tray covers, saliva ejectors, germicidal wipes, plastic cups and disinfectants.

- Endoscope Reprocessing: Medical device reprocessing systems, disinfectants, enzymatic detergents and other supplies used to high-level disinfect flexible endoscopes.

- Dialysis: Medical device reprocessing systems, sterilants/disinfectants, dialysate concentrates and other supplies for renal dialysis.

- Therapeutic Filtration: Hollow fiber membrane filtration and separation technologies for medical applications. (Included in All Other reporting segment).

- Specialty Packaging: Specialty packaging and thermal control products, as well as related compliance training, for the transport of infectious and biological specimens and thermally sensitive pharmaceutical, medical and other products. (Included in All Other reporting segment).

- Chemistries: Sterilants, disinfectants, detergents and decontamination services used in various applications for infection prevention and control. (Included in All Other reporting segment).

Most of our equipment, consumables and supplies are used to help prevent the occurrence or spread of infections.

Throughout this document, references to "Cantel," "us," "we," "our," and the "Company" are references to Cantel Medical Corp. and its subsidiaries, except where the context makes it clear the reference is to Cantel itself and not its subsidiaries.

Recent Acquisition – Subsequent to July 31, 2010

Acquisition of Gambro Renal Products, Inc. Water Business

On October 6, 2010, our Mar Cor Purification subsidiary ("Mar Cor") acquired from Gambro Renal Products, Inc. ("GRP") and a Swedish-based affiliate of GRP (collectively, "Gambro") certain net assets and the exclusive rights in the United States to manufacture and sell Gambro's water treatment products used in the production of water for hemodialysis ("Gambro Water" or the "Gambro Acquisition"). Immediately following the acquisition, we commenced sales and service of all Gambro water products, components, parts and consumables solely intended for the United States market. The manufacturing of these products will be transitioned into our own manufacturing facility in Plymouth, Minnesota over the next few months. With an installed base of over 1,200 water equipment customers in the United States and annual pre-acquisition revenues of approximately $14 million (approximately 80% of such revenues are from one customer), the Gambro Acquisition is anticipated to expand our Water Purification and Filtration's annual business by approximately 19% in terms of sales, particularly with respect to product and service sales volumes in both existing and new dialysis clinics across the United States. Total consideration for the transaction, excluding transaction costs, was approximately $23,750,000, of which $3,100,000 will be paid in six quarterly payments ending April 2012. The Gambro Acquisition will be included in our Water Purification and Filtration operating segment. See "— Reporting Segments-Water Purification and Filtration" and Note 3 to the Consolidated Financial Statements.

The reasons for the acquisition were as follows: (i) the expansion of our water purification product line, particularly in the area of cost effective heat sanitizing water purification equipment, (ii) the opportunity to add an installed equipment base of

business into which we can (a) increase sales and service revenue while improving the density and efficiency of the Mar Cor service network and (b) increase consumable sales per clinic; (iii) the potential revenue and cost savings synergies and efficiencies that could be realized through optimizing and combining the acquired assets (including Gambro employees) into Mar Cor; and (iv) the expectation that the acquisition will be accretive to our future earnings per share.

Since the acquisition was completed on October 6, 2010, the results of operations of Gambro Water are not included in our results of operations for any period presented herein.

Fiscal 2010 Acquisition

Acquisition of Purity Water Company of San Antonio, Inc.

On June 1, 2010, Mar Cor acquired all of the issued and outstanding capital stock of Purity Water Company of San Antonio, Inc. ("Purity"), a private company with pre-acquisition annual revenues of approximately $2,300,000 based in San Antonio, Texas that designs, installs and services high quality, high purity water systems for use in laboratory, industrial, medical, pharmaceutical and semiconductor environments. Total consideration for the transaction was $2,014,000. The results of operations of Purity are included in our results of operations in fiscal 2010 subsequent to June 1, 2010 and are not included in any prior periods. Purity is included in the Water Purification and Filtration segment. Following the acquisition, Purity was merged with and into Mar Cor.

The primary reason for the acquisition was to add a base of business and expand the Mar Cor service network in the southwest United States.

Fiscal 2009 Acquisition

Acquisition of G.E.M. Water Systems Int'l, LLC

On July 31, 2009, we purchased substantially all of the assets of G.E.M. Water Systems Int'l, LLC ("G.E.M."), including the building housing its operations, for $4,468,000, including transaction costs. G.E.M, based in Buena Park, California, designs, installs and services high quality water and bicarbonate systems for use in dialysis clinics, hospitals and other healthcare facilities. The acquired business had pre-acquisition revenues of approximately $3,500,000. The results of operations of G.E.M. are included in our results of operations for the entire fiscal 2010 and are not included for any prior period, but the assets of G.E.M. are included in our Consolidated Balance Sheets as of both July 31, 2010 and 2009 (since the acquisition occurred on the final day of fiscal 2009). The principal reason for the acquisition was the strengthening of our sales and service presence and base of business in California with a significant concentration of dialysis clinics and healthcare institutions. The operating results of G.E.M. are included in our Water Purification and Filtration segment.

Reporting Segments

The following table gives information as to the percentage of consolidated net sales from operations accounted for by each of our reporting segments:

	Year Ended July 31,		
	2010	2009	2008
	%	%	%
Water Purification and Filtration	27.2	26.5	26.6
Healthcare Disposables	25.5	24.7	23.5
Endoscope Reprocessing	23.9	20.1	18.8
Dialysis	16.3	21.7	24.1
All Other	7.1	7.0	7.0
	100.0	100.0	100.0

For a presentation of net sales, operating income and total assets by reporting segment, see Note 17 to the Consolidated Financial Statements.

During fiscal 2010, we changed our internal reporting processes to include a new operating segment called Chemistries to reflect the way the Company, through its executive management, manages, allocates resources and measures the performance of its businesses. This new operating segment is the combination of a small portion of our existing sterilant

business, comprised of products sold on an OEM basis and previously recorded in our Water Purification and Filtration segment, and a new business operation that was created to capitalize on our chemistry expertise and expand our product offerings in existing and new markets within the infection prevention and control arena. This new Chemistries operating segment has been combined for reporting purposes with our Therapeutic Filtration and Specialty Packaging operating segments into the All Other reporting segment. All periods presented have been restated to reflect this change.

Water Purification and Filtration

General

We design, develop, manufacture, sell, install and service water purification systems and accessories for dialysis and other specific healthcare applications, research laboratories and pharmaceutical, beverage and commercial industrial customers. These systems always start with a public water source and provide total purification solutions specific to our customers' needs and site conditions, ranging from low-volume, reverse osmosis and deionization systems, to high-volume, complete turnkey purification systems. We generally sell the equipment directly to our customers in the United States, Puerto Rico, and Canada and through various third-party distributors in other international markets.

Purification systems can include combinations of proven treatment methods such as (i) carbon filtration, which removes chlorine and dissolved organic contamination by adsorption; (ii) reverse osmosis (RO), which is a filtration process that forces liquid through non-porous or semi-porous membranes to remove particles, microorganisms and dissolved minerals and organics; (iii) ultra-filtration, which removes bacteria, viruses and other ultrafine impurities from water using a membrane similar in design to a RO membrane; (iv) deionization, which is an ion exchange platform that requires resin regeneration (see "Service & Maintenance; Resin Regeneration" below); and (v) electro-deionization, which is a form of deionization that is based on the conductance of electrical charges. We have significant expertise in packaging these technologies to meet specific requirements of customers requiring high purity water that is free of biological contamination.

We are the market leader in the supply of United States Food and Drug Administration ("FDA") 510(k)[1] cleared water purification systems to the dialysis industry in North America. During fiscal 2010 approximately 60% of our sales in this segment were derived from sales and service to U.S. dialysis clinics. This portion of our business will continue to grow during fiscal 2011 due to the Gambro Acquisition.

Our growth in the Water Purification and Filtration segment, particularly in the medical/dialysis arena, over the past several years has been driven principally from acquisitions. Since May 2006 we have acquired six water purification businesses, the most significant of which were the water dialysis business of GE Water & Process Technologies ("GE Water") in March 2007 and the recent acquisition of Gambro Water in October 2010.

Water Purification Equipment

Our product line of water purification systems has been designed to produce biologically pure water targeted for use in the healthcare, life sciences, food and beverage, and commercial industrial markets. We have significant expertise in the design and manufacture of water treatment systems engineered to meet specific water requirements of the healthcare, life sciences and beverage industries. Such expertise includes water for hemodialysis and all grades of US Pharmacopeia (USP) water (i.e., water meeting the FDA enforced standards of the United States Pharmacopeia) including "USP Purified Water" which is an FDA requirement for the labeling of "purified" bottled water. We also package these same technologies and expertise in industrial designs to meet the requirements for high purity water in the commercial industrial markets such as boiler feedwater production or high quality rinsewater production.

Our Biolab™ equipment line includes systems that utilize either chemical or heat disinfection to sanitize the equipment. Our HX product line provides total heat disinfection of the entire water purification system and water distribution loop. Heat disinfection is especially attractive to the life science marketplace, which requires the highest levels of biological purity. Heat sanitization is environmentally friendly and prevents the formation of dangerous biofilms. Heat disinfection has been used in the pharmaceutical industry for years and has been gaining increased acceptance in the dialysis market.

Our standard line of equipment includes the Biolab equipment line of reverse osmosis (RO) machines 2200, 3300, 4400, 8400, RODI® combination RO and electro-deionization system, and various heat disinfecting configurations, as well as the 23G, Zyzatech™ V and Z series, and the Millenium™, the leading medical portable reverse osmosis unit. Commencing in

[1] Most medical devices sold by the Company require the submission of a Premarket Notification 510(k) to the FDA and clearance of the submission by the FDA prior to commercial distribution.

October 2010, these product lines are now complemented in the United States by the product lines exclusively licensed in the Gambro Acquisition, including the WRO 300, WRO 300H, CWP 100, WRO 101-104 and 106H, a leading heat disinfecting system. Our extensive product offerings can be configured to serve all of our target markets.

We also offer pretreatment equipment, lab water equipment, a full range of service deionization tanks and specific equipment designed to support the life sciences and industrial markets including peripheral equipment such as carts, bicarbonate and acid delivery systems with central and single mix distribution units, and concentrate systems with central concentrate holding tanks.

Our systems meet water quality and good manufacturing practice standards of the Association for the Advancement of Medical Instrumentation ("AAMI"). We have received 510(k) clearances from the FDA for all of our dialysis water purification systems and bicarbonate mix and distribution systems to the extent required by law.

Service & Maintenance; Resin Regeneration

We provide service and maintenance for water purification systems in the United States and Canada through twenty regional offices (eighteen in the United States and two in Canada). These service centers are staffed with sales and service personnel to support both scheduled and emergency customer requirements. Each office provides 24-hour emergency service for our customers through a fleet of stocked service vehicles. Seven of the offices (Toronto, Montreal, Philadelphia, Boston, San Antonio, Chicago and Atlanta) are equipped with resin regeneration plants (described below).

Resin regeneration (also known as service deionization and carbon exchange) is the process in which cylinders (pressure vessels with an inlet connection and an outlet connection) are assembled, sanitized, and filled with ion exchange resin, which is processed using hydrochloric acid and caustic soda. These cylinders are connected to a customer's water supply. As the water passes through the ion exchange resin beads, minerals are removed. When the electrical charge that is placed on the resin beads during the regeneration process is exhausted, the cylinders are exchanged for identical cylinders with regenerated resin. The cylinders with exhausted resin are returned by service personnel to one of our regeneration plants and the resin is regenerated for use by the same or another customer. Customers are charged for each cylinder replacement.

Filtration

We offer a full line of filters utilizing hollow fiber membrane technology. The filters, sold under the FiberFlo® Capsule Filters and FiberFlo Cartridge Filters names, are utilized to remove impurities from liquid streams for a wide range of applications. Such applications include the filtering of ultrapure water to remove bacteria and other contaminants in medical environments to provide protection for patients undergoing treatments that use ultrapure water. Our cartridge filters are validated to remove endotoxins in dialysis water, which is included in our registration of the filters as Medical Devices under FDA 510(k) regulations. The filters are also used in medical device reprocessing systems to help meet reprocessing water quality guidelines outlined by the AAMI. In industrial applications, the filters are used to protect systems from contamination from particulates and microorganisms.

Our FiberFlo filters are also being used in a variety of industries including pharmaceutical manufacturing, food and beverage processing, cosmetic manufacturing and electronics manufacturing. The filters are being used increasingly for the removal of bacteria and other contaminants from aqueous solutions. These filters are engineered for point-of-use applications that require very fine filtration. Their hollow fiber design provides a surface area that is up to four times larger than traditional pleated filters that are used in the same markets. The large surface area provides greater capacity and longer filter life for the customer. FiberFlo Capsule Filters and Cartridge Filters are available in a variety of styles, sizes and configurations to meet a comprehensive range of customer needs and applications.

Other products include microfiber and flat sheet membrane prefiltration products designed to protect the FiberFlo filter products and prolong their life in their intended applications.

FiberFlo filter products are sold directly and through various third-party distributors in the United States, Puerto Rico, Canada and other international markets.

Sterilants

Minncare® Cold Sterilant is a liquid sterilant product used to sanitize and disinfect high-purity water systems. Minncare Cold Sterilant is based on our proprietary peracetic acid sterilant technology, and is engineered to clean and

disinfect RO membranes and associated water distribution systems. Minncare Cold Sterilant is widely used in the dialysis, medical, pharmaceutical and other industries to disinfect ultrapure water systems as part of overall procedures to control the contamination of systems by microorganisms and spores. Actril® Cold Sterilant is a ready-to-use formulation of our proprietary peracetic acid based sterilant technology. It is used for surface disinfection in a variety of industries, including the medical and pharmaceutical industries.

Healthcare Disposables

We are a leading manufacturer and reseller of single-use, infection control products used principally in the dental office market. We offer a broad selection of core disposable dental products, comprising over 60 categories of dental merchandise, including face masks, sterilization pouches, towels and bibs, tray covers, saliva ejectors and evacuators, germicidal wipes, plastic cups, surface barriers, eyewear, disinfectants and cleaners, hand care products, gloves, prophy angles, cotton products, needles and syringes, scalpels and blades, prophy pastes, and fluoride foams and gels. We believe that we maintain a leading market position in the United States for face masks, towels and bibs, tray covers, saliva ejectors, germicidal wipes, sterilization pouches and plastic cups used in the dental market. Part of our strategy is to continue developing, licensing and/or acquiring branded products with a differentiated feature set, ideally patent protected.

We have certain exclusive and non-exclusive license rights from a third party for BIOSAFE® antimicrobial, a patented chemistry applied to products, such as face masks, that reduces microorganisms such as Influenza A, MRSA, VRE and Staph immediately upon contact. The BIOSAFE treatment chemically binds to a product's surface creating a long-lasting shield against microbial contamination. Because it mechanically kills the cell, it will not cause development of more resistant 'superbugs.' Within the United States, the sale of face masks treated with BIOSAFE antimicrobial for medical applications is subject to a 510(k) clearance by the FDA. Because an anticipated revision to the FDA Guidance Document pertaining to antimicrobial treatments of medical devices has not been released by the FDA, we will be considering the submission of a 510(k) application in advance of the FDA's publication of such revision.

We have also experienced continued and improved market acceptance of our Sure-Check™ Sterilization Pouches and Comfort Plus® Saliva Ejectors. The Sure-Check Sterilization Pouches are self-sealing pouches with a patented, multi-variable (parameter) Class 4 chemical indictor ink printed on the pouch both internally and externally. This multi-variable chemical indicator provides the user with a reliable indication that the conditions for sterilization occurred without having to insert a separate chemical indicator into the pouch itself. The chemical indicator on the pouch reacts to all three key sterilization parameters - time, temperature and presence of steam. The Comfort Plus Saliva Ejector uses a patented design featuring rounded edges, smooth surfaces and strategically placed suction ports that help to enhance patient comfort while protecting delicate mucosal tissue.

During fiscal 2011, the Company will be introducing an innovative earloop face mask under the SecureFit™ name. This patent pending product incorporates an aluminum strip on the bottom of the mask, allowing the wearer to adjust the fit of the mask to the contour of their face, minimizing the gapping that can occur while wearing traditional earloop face masks. This feature will be made available in the Company's three ASTM product classifications – Low (Isofluid), Moderate (Procedural) and High (Ultra).

We believe that the concern generated over the novel H1N1 flu outbreak during fiscals 2010 and 2009 significantly increased awareness of the prevention and control of infectious diseases. We believe that we are well qualified to address the global need for face masks, disinfectants and other products relating to infection prevention and control, including flu preparedness. The outbreak and spread of the novel H1N1 flu in the United States resulted in significantly increased sales of our face masks during our fourth quarter of fiscal 2009 and the first and second quarters of fiscal 2010. We are now expanding our manufacturing capability of face masks and are well positioned to increase production of face masks should the need arise due to a recurrence of the H1N1 flu or other outbreak of infectious disease.

We manufacture products accounting for approximately two-thirds of our net sales in this segment. We source the balance of our products from third-party suppliers and contract manufacturers, certain of which are sold under exclusive distributorship agreements. Overall, approximately 90% of our net sales in this segment relate to products manufactured in the United States. The majority of our healthcare disposable products are sold under the Crosstex® brand name. For certain of our customers, we also produce private label products.

Our healthcare disposable products are sold to approximately 350 wholesale customers in over 90 countries, but with a significant majority in the United States. The wholesalers generally include major healthcare distributors, group purchasing organizations and co-operatives that sell our products to dental practices as well as medical, veterinary and educational institutions.

Endoscope Reprocessing

General

We design, develop, manufacture and sell endoscope reprocessing systems, sterilants, detergents and related supplies. Although endoscopes generally can be manually disinfected, there are many problems associated with such methods including the lack of uniform disinfection procedures, personnel exposure to disinfectant fumes and incomplete rinsing that could result in disinfectant residue remaining in or on the endoscope. We believe our endoscope reprocessing equipment offers several advantages over manual immersion in disinfectants. Our products, which meet rigorous high-level disinfection assurance standards and regulations, allow the safe and effective use of endoscopes in healthcare facilities throughout the world.

Our automated endoscope reprocessing equipment is designed to pre-rinse the device, then continuously pump disinfectant around the endoscope and through all of its internal working channels, resulting in thorough and consistent high-level disinfection. After the disinfection phase, all internal channels and external surfaces are thoroughly rinsed to completely remove any disinfectant residue. This automated process inhibits the buildup of biofilms in the working channels and renders the endoscope safe for the next patient use. In addition, the entire high-level disinfection process can be completed with minimal participation by the operator, freeing the operator for other tasks, reducing the exposure of personnel to the chemicals used in the disinfection process and reducing the risk of transmission of infectious diseases. Our reprocessing equipment also reduces the risks associated with inconsistent manual disinfecting.

Endoscope Reprocessing Products and Services

Our Medivators® product portfolio represents the most comprehensive offering of capital equipment, chemistries, consumables and services that are used to pre-clean, leak test, clean and disinfect flexible endoscopes from the point of removal from a patient through utilization in the next patient procedure.

Our Medivators line of endoscope reprocessing systems includes several automated systems, such as the Advantage®, Advantage Plus™ and DSD-201 systems, which are microprocessor-controlled, dual-basin, asynchronous endoscope disinfection systems, and the SSD-102, which is a single-basin version of the DSD-201 system. Our Advantage and Advantage Plus endoscope reprocessing systems represent technologically advanced automated systems designed to be compliant with all North American and European standards and to compete against the other sophisticated systems currently available both in Europe and North America. All of the automated disinfection machines can be used on a broad variety of endoscopes and are programmable by the user. Certain models of the dual-basin systems can disinfect up to four endoscopes at a time. In fiscal 2009, the FDA and Health Canada cleared our first and most advanced single–use chemistry reprocessor, the Advantage Plus System. This new reprocessor was cleared for use exclusively with our new single-use chemistry, Rapicide® PA, a peracetic acid based, high-level disinfectant with a five-minute contact time used at 30 degrees Celsius, giving it superior material compatibility.

In April 2010, Medivators received clearance from the FDA to market the newly developed DSD-Edge, a single-use chemistry version of the DSD-201, which had received clearance from Health Canada several months earlier. The DSD-Edge is CE[2] marked for sale in European and Asian markets. We also have clearance to sell the DSD-Edge in Australia. We also manufacture the Medivators CER series of countertop semi-automated endoscope reprocessors. These products are more compact, less expensive single and dual endoscope disinfection units.

Our Medivators equipment product line also includes a state-of-the-art endoscope leak detection device that provides customers with superior accuracy, complete automation and comprehensive electronic record keeping, and the Scope Buddy® endoscope flushing aid, a device that minimizes the risk of worker repetitive motion injury associated with manual flushing of endoscopes, while increasing the consistency of cleaning results through standardization of the pre-cleaning process.

In connection with our endoscope reprocessing business, we manufacture Rapicide glutaraldehyde-based high-level disinfectant and sterilant, which has FDA 510(k) clearance for a high-level disinfection claim of five minutes at 35 degrees Celsius. This disinfection contact time is currently one of the fastest available of any high-level disinfectant product sold in the United States. Rapicide has superior rinsibility which gives us a competitive market advantage. We also sell Adaspor® peracetic-acid based high-level disinfectant, manufactured by a third party in Europe, for the European and Asian markets

[2] The CE marking (an acronym for the French *conformité européenne*) certifies that a product has met European Union (EU) health, safety and environmental requirements. Many of our medical devices must meet CE marking requirements prior to commercial sale in Europe.

that can be utilized in a wide variety of automated endoscope reprocessing systems. As stated above, we now also have clearances to market our new single-use chemistry Rapicide PA.

Our product offerings also include Intercept® Detergent and Wipes which are formulated especially for the cleaning and removal of biological and organic soils from medical device surfaces, including flexible endoscopes. When used regularly, Intercept and Intercept Wipes progressively remove built up layers of biofilm from endoscope channels and exterior surfaces. Biofilms are an acknowledged concern in health care as potential sources of nosocomial infection agents (environmentally sourced microorganisms that can be transmitted to patients during procedures or treatment).

Our Endoscope Reprocessing segment offers various preventative maintenance programs, repair services and user training programs to support the effective operation of reprocessing systems over their lifetime. Medivators field service personnel and international third-party distributors install, maintain, upgrade, repair and troubleshoot equipment.

Marketing and Sales

We sell and service our endoscope reprocessing equipment, high-level disinfectants, cleaners and consumables through our own United States field sales and service organization. Outside of the United States, we sell primarily through independent distribution partners in Europe, Canada, Asia, Australia and Latin America as well as our own Netherlands sales and service organization.

Dialysis

General

We design, develop, manufacture and sell reprocessing systems and sterilants for dialyzers (a device serving as an artificial kidney), as well as dialysate concentrates and supplies utilized for renal dialysis. Our products are sold in the United States and, to a significantly lesser extent, throughout the world. Our customer base is comprised of large and small dialysis chains as well as independent dialysis clinics. We sell the products in the United States primarily through our own direct distribution network, and in many international markets either directly or under various third-party distribution agreements.

Dialyzer Reprocessing Products and Services

During dialysis, a dialyzer is used to filter fluids and wastes from a dialysis patient's blood. Our dialyzer reprocessing products are limited to use by centers that choose to clean, disinfect and reuse dialyzers for the same patient, known as "dialyzer reuse," rather than discard the dialyzers after a single-use. Our products meet rigorous sterility assurance standards and regulations, thereby providing for the safe and effective reuse of dialyzers used in dialysis clinics.

We believe that dialysis centers in the United States that reuse dialyzers generally derive an economic benefit since the per-procedure cost is less when utilizing the dialyzer multiple times for the same patient rather than the wasteful and less environmentally friendly practice of using a dialyzer only one time per treatment. Additionally, dialyzer reuse significantly reduces the negative environmental consequences of single-use dialyzers by dramatically decreasing the amount of bio-hazardous medical waste in landfills. Although public information is not available to accurately quantify the number of dialysis centers currently employing dialyzer reuse versus single-use, it is apparent that, despite the cost effectiveness and environmental advantages of dialyzer reuse, there has been a significant market shift to single-use dialyzers during the past decade.

Today, we believe that approximately one-third of all dialysis procedures in the United States reuse dialyzers. The shift from reusable to single-use dialyzers is principally due to the ease of using a dialyzer one time and the commitment of Fresenius Medical Care ("Fresenius"), the largest dialysis provider chain in the United States and a manufacturer of single-use dialyzers, to convert dialysis clinics performing reuse to single-use facilities. A continued decrease in dialyzer reuse in the United States in favor of single-use dialyzers would have an adverse effect on our business. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our dialyzer reprocessing products include the Renatron® II Automated Dialyzer Reprocessing System ("Renatron System"), the Renalog® RM Data Management System and Renalin® Cold 100 Sterilant, a peracetic acid based sterilant.

The Renatron System provides an automated method of rinsing, cleaning, testing and sterilizing dialyzers for reuse. The Renatron System includes a bar-code reader, a computer and the Renalog RM Data Management System, a software

accessory that provides dialysis centers with automated record keeping and data analysis capabilities. We believe our Renatron Systems are more dependable, easier to use and more efficient than competitive automated systems. We also believe that the Renatron Systems are the top selling automated dialyzer reprocessing systems in the world.

Our Renalin 100 sterilant is a proprietary peracetic acid-based formula that, when used with our Renatron System, effectively cleans, disinfects and sterilizes dialyzers without the hazardous fumes and potential disposal issues related to glutaraldehyde and formaldehyde reprocessing solutions. Renalin cold sterilant is the leading dialyzer reprocessing solution in the United States.

We also manufacture a comprehensive product line of test strips to measure concentration levels of the peracetic acid chemistries we produce. These test strips ensure that the appropriate concentration of sterilant is maintained throughout the required contact period, in addition to verifying that all sterilant has been removed from the dialyzer prior to patient use. We also sell a variety of dialysis supplies manufactured by third parties.

Our Dialysis segment offers various preventative maintenance programs and repair services to support the effective operation of reprocessing systems over their lifetime. Our field service personnel, dialysis center technicians and international third-party distributors install, maintain, upgrade, repair and troubleshoot equipment.

Dialysate Concentrates

Our renal dialysis treatment products include a line of acid and bicarbonate concentrates, referred to as dialysate concentrates, used by kidney dialysis centers to prepare dialysate, a chemical solution that draws waste products from the patient's blood through a dialyzer membrane during the hemodialysis treatment. Dialysate concentrates are used in the dialysis process, whether single-use or reuse dialyzers are being utilized. These concentrates are freight sensitive and due to the competitive landscape carry overall lower gross margins in our product portfolio.

All Other

We also operate other businesses, including the Specialty Packaging, Therapeutic Filtration and Chemistries operating segments. Due to the relatively small size of these businesses, they are combined in the All Other reporting segment.

Specialty Packaging

We provide specialty packaging and thermal control products for the transport of infectious and biological specimens as well as thermally sensitive pharmaceutical and medical products. Additionally, we provide compliance training services for the safe and proper transport of infectious and biological specimens, as defined by various international and national regulatory organizations.

We believe that the increasing concern over the potential spread of infectious agents, such as H1N1 flu, avian flu, E. coli and mad cow disease, as well as potential acts of bio-terrorism using agents such as anthrax, have significantly increased awareness of the proper shipping of diagnostic substances such as blood and tissues. We believe that we are particularly well qualified to meet the global need for compliant, secure, cost-effective packaging solutions for the shipping of infectious and biological specimens.

Our products include the Saf-T-Temp® brand line of phase change materials (PCM) using both proprietary and licensed proprietary thermal technology for temperature-controlled shipments. These phase change materials help maintain thermally sensitive specimens and products, such as vaccines, pharmaceuticals and diagnostic reagents, within a discrete temperature range during shipment. The discipline of "Cold Chain Management" continues to grow as manufacturers of thermally sensitive pharmaceuticals and medical products, as well as clinical laboratories, search for more efficient and cost-effective methods to ensure the viability of their products and/or specimens in accordance with quality control standards.

In addition, to meet regulatory requirements that require shippers of infectious and biological substances to be trained and certified at least every two years or as often as regulations change, we offer a variety of training options allowing the customer to choose the method that best meets its needs. We provide open enrollment symposium-style training seminars in various cities, private seminar training at customers' on-site locations, as well as self-paced internet and CD software. During fiscal 2010, we added Spanish as an additional language option to our already existing English and French language options for our CD software and internet training programs.

Our customer base consists of medical research companies, diagnostic, clinical and university laboratories, pharmaceutical and biotechnology companies, United States and Canadian government agencies, hospitals and state public health departments. Our packaging, thermal and training products are distributed worldwide both directly and through third-party distributors.

Therapeutic Filtration

Our therapeutic filtration products are extracorporeal filters utilizing our proprietary hollow fiber technology. These filters include hemoconcentrators, hemofilters and specialty filters utilized for therapeutic medical applications.

We manufacture, market and sell a comprehensive line of hemoconcentrators. A hemoconcentrator is a device used by a perfusionist (a health care professional who operates heart-lung bypass equipment) to concentrate red blood cells and remove excess fluid from the bloodstream during open-heart surgery. Because the entire blood volume of the patient passes through the hemoconcentrator during an open-heart procedure, the biocompatibility of the blood-contact components of the device is critical.

Our hemoconcentrators are designed to meet the clinical requirements of neonatal through adult patients. Our principal products are the Hemocor HPH® hemoconcentrators, which contain our proprietary polysulfone hollow fiber and also feature a unique "no-rinse" design that allows it to be quickly and efficiently inserted into the bypass circuit at any time during an open-heart procedure.

We also manufacture, market and sell a line of Renaflo® II hemofilters. A hemofilter is a device that performs hemofiltration in a slow, continuous blood filtration therapy used to control fluid overload and acute renal failure in unstable, critically ill patients who cannot tolerate the rapid filtration rates of conventional hemodialysis. The hemofilter removes water, waste products and toxins from the circulating blood of patients while conserving the cellular and protein content of the patient's blood. Our hemofilter line features no-rinse, polysulfone hollow fiber filters that requires minimal set-up time for healthcare professionals. The hemofilter is available in six different models to meet the clinical needs of neonatal through adult patients.

Our proprietary hollow fiber membranes and therapeutic products are sold to biotechnology manufacturers that integrate the filters into their own proprietary systems and through third-party distributors. Historically, one of our most successful specialty filters has been sold on a private label basis to a manufacturer of a respiratory therapy device that incorporates our filter in their product, particularly for pediatric applications. In fiscal 2010, in addition to providing filters and filter technologies to biotech manufactures, we have also signed agreements with certain customers to distribute their finished products in specific international markets.

Chemistries

During fiscal 2010, we changed our internal reporting processes to include a new operating segment called Chemistries to reflect the way the Company, through its executive management, manages, allocates resources and measures the performance of its businesses. This new operating segment is the combination of a small portion of our existing sterilant business, comprised of products sold on an OEM basis and previously recorded in our Water Purification and Filtration segment, and a new business operation that was created to capitalize on our chemistry expertise and expand our product offerings in existing and new markets within the infection prevention and control arena.

Our new Chemistries segment provides research and development and coordination of marketing strategies that capitalize on our portfolio of proprietary chemistries. The group supports and drives the pipeline of new chemistry-based products for existing Cantel companies, manages and grows the existing OEM chemistry related businesses and is responsible for building new business revenues specific to the Chemistries Group. Substantial investment is being made in research and development to effectively leverage this business across a broad range of infection prevention and control opportunities.

We understand the increasing concern and costs associated with the spread of MRSA, C-Diff, Norovirus and other critical infectious agents, and have developed products and services to address these issues. One such service is our Area Decontamination System which utilizes an EPA approved chemical sterilant and proprietary dry fog technology to disinfect rooms ranging from sports facilities, commercial and residential properties and bio safety labs to hospital operating rooms. As part of this service we also offer a unique antimicrobial agent that provides a protective layer on surfaces and other materials that assists in preventing recontamination of the area and transfer of infectious agents to humans.

Our detergents and disinfectants are based upon a wide variety of chemicals and provide cleaning and disinfection in many healthcare environments. Peracetic acid represents one of the most effective chemistries in our portfolio and we have recently launched a sterilization service business based upon a variation of this product. This service provides medical device, pharmaceutical and consumer product companies the capability to sterilize their products at room temperature with a rapid turnaround time. Our REVOX[sm] sterilization service offers a valuable resource for companies attempting to avoid compatibility issues associated with eliminating toxic residues or maintaining functionality with their heat sensitive devices.

Government Regulation

Many of our products are subject to regulation by the FDA, which regulates the testing, manufacturing, packaging, distribution and marketing of our medical devices and water purification devices in the United States. Delays in FDA review can significantly delay new product introduction and may result in a product becoming "dated" or losing its market opportunity before it can be introduced. Certain of our products may also be regulated by other governmental or private agencies, including the Environmental Protection Agency, Underwriters Lab, Inc. ("UL"), and comparable agencies in certain foreign countries. The FDA and other agency clearances generally are required before we can market such new or significantly changed existing products in the United States or internationally. The FDA and certain other international governmental agencies also have the authority to require a recall or modification of products in the event of a defect.

The Food, Drug and Cosmetic Act of 1938 and Safe Medical Device Act of 1990 require compliance with specific manufacturing and quality assurance standards for certain of our products. The regulations also require manufacturers to establish a quality assurance program to monitor the design and manufacturing process and maintain records that show compliance with FDA regulations and the manufacturer's written specifications and procedures relating to its medical devices. The FDA inspects medical device manufacturers for compliance with the current Quality Systems Regulations ("QSR's"). Manufacturers that fail to meet the QSR's may be issued reports or citations for non-compliance.

In addition, many of our infection prevention and control products sold in Canada, Europe and Japan are subject to comparable regulations and requirements as those described above. International regulatory bodies often establish varying regulations governing product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. For example, as a result of our sales in Europe, we were required to be certified as having a Quality System that meets the ISO 13485-2003 standard.

Many of our products must also meet the requirements of the European Medical Device Directive ("MDD") for their sale into the European Union. This certification allows us, upon completion of a comprehensive technical file, to affix the CE mark to our products and to freely distribute such products throughout the European Union. Failure to maintain CE mark certification could have a material adverse effect on our business.

Our endoscope and dialyzer reprocessing products, as well as our Canadian water purification equipment manufacturing facility and many of our products manufactured in Canada, are subject to regulation by Health Canada — Therapeutic Products Directorate ("TPD"), which regulates the distribution and marketing of medical devices in Canada. Certain of such products may be regulated by other governmental or private agencies, including Canadian Standards Agency ("CSA"). TPD and other agency clearances generally are required before we can market new medical products in Canada. The Health Products and Food Branch Inspectorate ("HPFBI") governs problem reporting, modification and recalls. HPFBI also has the authority to require a recall or modification in the event of defect. In order to market our medical products in Canada, we hold a Medical Device Establishment License, as well as certain medical device licenses by product, as provided by HPFBI.

Certain of our specialty packaging products have been independently tested by a third-party laboratory and certified by Transport Canada. These certified packaging products as well as our other specialty packaging products have been designed to meet all applicable national and international standards for the safe transport of infectious and biological substances. Such standards include those issued by Canadian General Standards Board, Transport of Dangerous Goods Regulations Canada, International Civil Aviation Organization, International Air Transport Association, and the United States Code of Federal Regulations Title 49.

Federal, state and foreign regulations regarding the manufacture and sale of our products are subject to change. We cannot predict what impact, if any, such changes might have on our business.

Sources and Availability of Raw Materials

We purchase raw materials, sub-assemblies, components and other supplies essential to our operations from numerous suppliers in the United States and abroad. The principal raw materials that we use to conduct operations include chemicals, paper pulp, resin, stainless steel and plastic components. These raw materials are obtainable from several sources and are generally available within the lead times specified to vendors.

From time to time we experience price increases for raw materials, with no guarantee that such increases can be passed along to our customers. For example, during fiscal 2008 we experienced unprecedented price increases in certain raw materials, including chemicals, paper pulp and plastics (resins and bottles). In addition, we experienced significant difficulty in obtaining certain chemicals in fiscal 2008 due to apparent shortages by certain suppliers. Although prices of raw materials have decreased and we do not currently foresee extraordinary difficulty in obtaining the materials, sub-assemblies, components, or other supplies necessary for our business operations, we cannot predict if similar difficulties as those experienced in fiscal 2008 will occur in the future that may adversely affect our business.

Intellectual Property

We protect our technology and products by, among other means, filing United States and foreign patent applications. There can be no assurance, however, that any patent will provide adequate protection for the technology, system, product, service or process it covers. In addition, the process of obtaining and protecting patents can be long and expensive. We also rely upon trade secrets, technical know-how and continuing technological innovation to develop and maintain our proprietary position.

As of September 17, 2010, we held 49 United States patents and 41 foreign patents, and had 11 United States patents and 22 foreign patents pending. The majority of our United States and foreign patents, for individual products, are effective for twenty years from the filing date. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country. We believe that the patents in each of our segments are important. In addition, we license from independent third parties under certain patents, trade secrets and other intellectual property, the right to manufacture and sell our sterilants and Rapicide disinfectant (see "—Reporting Segments-Endoscope Reprocessing"), water purification equipment using Gambro technology (see "—Acquisition of Gambro Renal Products, Inc. Water Business"), phase change material products (see "—Reporting Segments-All Other-Specialty Packaging"), products utilizing BIOSAFE antimicrobial (see "—Reporting Segments-Healthcare Disposables") and therapeutic filters utilizing a certain additive designed to enhance the safety and effectiveness of the filters (see"—Reporting Segments-All Other-Therapeutic Filtration"). These licenses, each of which are long-term, are critical to our commercialization of those products.

Our products and services are sold around the world under various trade names, trademarks and brand names. We consider our trade names, trademarks and brand names to be valuable in the marketing of our products in each segment. As of September 17, 2010, we had a total of 404 trademark registrations in the United States and in various foreign countries in which we conduct business, as well as 47 trademark applications pending worldwide.

Seasonality

Our businesses generally are not seasonal in nature.

Principal Customers

None of our customers accounted for 10% or more of our consolidated net sales during fiscal 2010. However, Fresenius and DaVita each accounted for approximately 7% of our consolidated net sales. In addition, as a result of the Gambro Acquisition, DaVita (the largest customer of Gambro Water) would have accounted for approximately 11% of our consolidated net sales during fiscal 2010.

Except as described below, none of our segments are reliant upon a single customer, or a few customers, the loss of any one or more of which could have a material adverse effect on the segment.

In our Water Purification and Filtration segment, one customer, Fresenius, accounted for approximately 24% of our segment net sales. The loss of a significant amount of business from this customer could have a material adverse effect on our Water Purification and Filtration segment.

Our Healthcare Disposables segment is reliant on four customers who collectively accounted for approximately 55% of our Healthcare Disposables segment net sales and 14% of our consolidated net sales during fiscal 2010. Henry Schein accounted for approximately 23% of our segment net sales. The loss of a significant amount of business from any of these four customers or a further consolidation of such customers could have a material adverse effect on our Healthcare Disposables segment.

During fiscal 2010, one customer, DaVita, accounted for approximately 33% of the Dialysis segment net sales. The loss of a significant amount of business from this customer would have a material adverse effect on our Dialysis segment.

Backlog

On September 17, 2010, our consolidated backlog was approximately $14,765,000 compared with approximately $14,954,000 on September 18, 2009. All of the backlog is expected to be recognized as revenue within one year of such date.

Competition

General

The markets in which our business is conducted are highly competitive. Competition is intense in all of our business segments and includes many large and small competitors. Important competitive factors generally include product design and quality, safety, ease of use, product service and price. We believe that the long-term competitive position for all of our segments depends principally on our success in developing, manufacturing and marketing innovative, cost-effective products and services.

Many of our competitors have greater financial, technical and human resources than us, are well-established with reputations for success in the sale and service of their products and may have certain other competitive advantages over us. However, we believe that the worldwide reputation for the quality and innovation of our products among customers and our reputation for providing quality product service give us a competitive advantage with respect to many of our products.

In addition, certain companies have developed or may be expected to develop new technologies or products that directly or indirectly compete with our products. We anticipate that we may face increased competition in the future as new infection prevention and control products and services enter the market. Numerous organizations are believed to be working with a variety of technologies and sterilizing agents. In addition, a number of companies have developed or are developing disposable medical instruments and other devices designed to address the risks of infection and contamination. There can be no assurance that new products or services developed by our competitors will not be more commercially successful than those provided or developed by us in the future.

Segments

Information with respect to competition within our most significant individual segments is as follows:

We believe that the ability of our Water Purification and Filtration segment to successfully compete in the water purification, filtration and disinfectant market derives from our expertise in an FDA regulated environment, our broad product offerings and the high value and quality of our products and services. We are the market leader in the supply of FDA 510(k) cleared water purification systems to the dialysis industry in North America. Our acquisitions of the GE Water business and the Gambro Water business as well as four smaller geographically oriented acquisitions since May 2006 have given us a competitive advantage due to our expanded product offerings and our national service coverage. We believe that by focusing our efforts principally on the dialysis, pharmaceutical, biotechnology, medical and commercial industrial markets, providing a high level of customer service and making selective acquisitions, we can continue to grow this segment.

In our Healthcare Disposables segment, our principal competitors vary by product type, but principally encompass bigger companies that serve larger, non-dental channels such as hospitals and physician offices. Such competitors include Kimberly-Clark, 3M ESPE, Danaher/Sybron, Dentsply/Sultan Healthcare, Amcor and more generically less expensive imported products from Asia. We believe that our long-standing brand reputation in dentistry, product quality, superior customer service and breadth of product line are competitive advantages and are the basis for our success in this segment.

In our Endoscope Reprocessing segment, our principal competitors are Steris, Custom Ultrasonics, Olympus, ASP division of Johnson & Johnson, Metrex, Ruhof and Ecolab. We believe that our principal competitive advantages include our

comprehensive product line of automated endoscope reprocessors, the advanced features and product innovation of our automated endoscope reprocessors, our reputation for providing high-quality and reliable products, and our highly responsive sales, clinical support and service teams focused on endoscope reprocessing.

In our Dialysis segment, our most significant competition comes from manufacturers of single-use dialyzers, particularly Fresenius, the largest dialysis chain in the United States and a manufacturer of single-use dialyzers. All or substantially all Fresenius dialysis clinics exclusively use single-use dialyzers and therefore have no need for dialyzer reprocessing equipment. See "—Reporting Segments–Dialysis," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Research and Development

Research and development expenses (which include continuing engineering costs) were $5,169,000 and $4,632,000 in fiscals 2010 and 2009, respectively. The majority of our research and development expenses related to our endoscope reprocessing products, chemistry products, water purification systems and specialty filtration filters. The increase in research and development expenses is primarily due to development work on certain new products in our newly created Chemistries operating segment. In fiscal 2011, we intend to further invest in research and development to leverage our new Chemistry group across various infection prevention and control opportunities.

Environmental Matters

We anticipate that our compliance with federal, state and local laws and regulations relating to the discharge of materials into the environment or otherwise relating to the protection of the environment, will not have any material effect on our capital expenditures, earnings or competitive position.

Employees

As of September 17, 2010, we employed 883 persons of whom 769 are located in the United States, 74 are located in Canada, 18 are located in Europe, Africa and the Middle East, and 22 are located in the Far East. None of our employees are represented by labor unions. We consider our relations with our employees to be satisfactory.

Financial Information about Geographic Areas

We have operations in Canada, Europe, Asia and other areas outside of the United States. These operations involve the same business segments as our domestic operations. For a geographic presentation of revenues and other financial data for the three years ended July 31, 2010, see Note 17 to the Consolidated Financial Statements.

Our foreign operations are subject, in varying degrees, to a number of inherent risks. These risks include, among other items, foreign currency exchange rate fluctuations, changes in local economic conditions and tax regulations, unsettled political, regulatory or business conditions, and government-sponsored boycotts and tariffs on our products or services.

Depending on the direction of change relative to the U.S. dollar, foreign currency exchange rate fluctuations can increase or reduce the reported dollar amounts of the Company's net assets and results of operations. Overall, net income during fiscal 2010 was adversely impacted as a result of foreign currency movements relative to the U.S. dollar. See "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." We cannot predict future changes in foreign currency exchange rates or the effect they will have on our operations.

Available Information

We make available to the public, free of charge, on or through the Investor Relations section of our internet website, copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with the SEC. Our filings are available to the public from commercial document retrieval services, our website and at the SEC's website at www.sec.gov. Our website address is www.cantelmedical.com. Also available on our website are our Corporate Governance Guidelines, Charters of the Nominating and Governance Committee, Compensation Committee and Audit Committee, and Code of Business Conduct and Ethics. Information contained on our website is not incorporated by reference into this Report.

Item 1A. RISK FACTORS.

We are subject to various risks and uncertainties relating to or arising out of the nature of our businesses and general business, economic, financing, legal and other factors or conditions that may affect us. We provide the following cautionary discussion of risks and uncertainties relevant to our businesses, which we believe are factors that, individually or in the aggregate, could have a material and adverse impact on our business, results of operations and financial condition, or could cause our actual results to differ materially from expected or historical results. We note these factors for investors as permitted by the Private Securities Litigation Reform Act of 1995. You should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties.

Our market for dialysis reprocessing products is limited to dialysis centers that reuse dialyzers, which market has been decreasing in the United States.

Our dialyzer reprocessing products are limited to use by centers that choose to clean, sterilize and reuse dialyzers, rather than discard the dialyzers after a single use. Dialysis centers in the United States that reuse dialyzers derive an economic benefit since the per-procedure cost is less when utilizing dialyzer reuse compared with single-use and such dialysis clinics generally receive a capitated payment for providing hemodialysis treatment. Although current public information is not available to accurately quantify the number of dialysis centers currently employing dialyzer reuse versus single-use, it is apparent that the market share of single-use dialyzers has been increasing during the past decade relative to reuse dialyzers. We believe that approximately one-third of all dialysis procedures in the United States currently reuse dialyzers.

All or substantially all dialysis clinics owned by Fresenius, the largest dialysis chain in the United States and a manufacturer of single-use dialyzers, are single-use facilities. We believe that dialysis clinics owned by DaVita, the second largest dialysis chain in the United States, performed approximately fifty to sixty percent of its dialysis procedures using reuse.

The Company believes that if the per-procedure cost of single-use relative to reuse decreases to a level that makes it more economical to switch from reuse to single use, then all or a substantial number of our customers may elect to make such switch. The loss of any of our major customers due to such economics or any other reason would have a material adverse effect on our business. See "Business - Principal Customers," "Business - Competition" and "Management's Discussion and Analysis of Financial Condition and Results of Operations–Results of Operations."

Net sales of our Dialysis segment accounted for 16.3% of our total net sales in fiscal 2010 compared with 21.7% of net sales in fiscal 2009 and 24.1% of net sales in fiscal 2008. We believe this downward trend is likely to continue during fiscal 2011. Our Dialysis segment accounted for 24.5%, 29.6% and 32.9% of our total reporting segments operating income (before general corporate expenses and interest expense) in fiscals 2010, 2009 and 2008, respectively.

Industry consolidation and the highly competitive market has resulted in the loss of dialysate concentrate sales.

The downward trend of sales of our dialysate concentrate business continued during fiscal 2010. Fresenius manufactures dialysate concentrate itself and therefore provides dialysate concentrate to its own dialysis clinics. DaVita and certain international customers have also continued their reduction of dialysate concentrate purchases from us as a result of the highly competitive and price sensitive market for such product.

Because a significant portion of our Water Purification and Filtration, Dialysis and Healthcare Disposables segments net sales comes from a few large customers, any significant decrease in sales to these customers, due to industry consolidation or otherwise, could harm our operating results.

In our Water Purification and Filtration segment, one customer, Fresenius, accounted for approximately 24% of our fiscal 2010 net sales. Additionally, as a result of the Gambro Acquisition, on a pro forma basis two customers (Fresenius and DaVita) would have collectively accounted for approximately 44% of our annual net sales in our Water Purification and Filtration segment. The loss of a significant amount of business from either of these two customers could have a material adverse effect on our Water Purification and Filtration segment.

During fiscal 2010, DaVita accounted for approximately 33% of the Dialysis segment net sales. We are highly dependent on DaVita as a customer and any shift by this customer away from reuse would have a material adverse effect on our Dialysis segment net sales.

The distribution network in the United States dental industry is concentrated, with relatively few distributors of consumables accounting for a significant share of the sales volume to dentists. Accordingly, net sales and profitability of our Healthcare Disposables segment are highly dependent on our relationships with a limited number of large distributors. During fiscal 2010, the top four customers of our Healthcare Disposables segment accounted for approximately 55% of its net sales. The loss or a significant reduction of business from any of the major customers of the Healthcare Disposables segment could adversely affect our results of operations. In addition, because our Healthcare Disposables segment products are primarily sold through third-party distributors and not directly to end users, we cannot control the amount and timing of resources that our distributors devote to our products.

There is no assurance that there will not be a loss or reduction in business from one or more of our major customers. In addition, we cannot assure that net sales from customers that have accounted for significant net sales in the past, either individually or as a group, will reach or exceed historical levels in any future period.

Demand for some of our healthcare disposables products can be significantly affected by the severity of flu outbreaks, such as the novel H1N1 flu, and the level of urgency our customers and the general public develop and maintain with respect to epidemic and pandemic preparedness.

Net sales of high margin face masks, disinfectants and other healthcare disposables products were strong in our fourth quarter of fiscal 2009, and first four months of fiscal 2010, due to the outbreak of the novel H1N1 flu (swine flu). Although the outbreak of the novel H1N1 flu resulted in strong sales volume of high margin face masks and other healthcare disposables products, such sales volume has returned to a sales level that is similar to that which existed prior to the outbreak of the novel H1N1 flu given that the elevated level of reported cases of influenza viruses has subsided. Atypical demand for face masks is highly dependent upon the severity and timing of any pandemic flu outbreak such as the recent novel H1N1 flu, the ability of our Company to educate existing customers and potential new customers on the benefits of our face masks, disinfectants and other products and the level of urgency our customers and the general public develop and maintain with respect to epidemic and pandemic preparedness. Accordingly, we cannot provide assurance that a similar high level of sales as those that occurred in our fourth quarter of fiscal 2009 and first four months of fiscal 2010 will occur in any future period.

Our businesses are adversely impacted by rising fuel and oil prices and are heavily reliant on certain raw materials.

We purchase raw materials, sub-assemblies, components and other supplies essential to our operations from numerous suppliers in the United States and abroad. The principal raw materials that we use to conduct operations include chemicals, paper pulp, resin, stainless steel and plastic components.

From time to time we experience price increases for raw materials, with no guarantee that such increases can be passed along to our customers. During fiscal 2008, we experienced unprecedented price increases in certain raw materials due in large part to the rising price of fuel and oil, including chemicals, paper pulp and plastics (resins and bottles) which had a significant adverse impact on our gross margins. In addition, we experienced significant difficulty in obtaining certain chemicals in fiscal 2008 due to apparent shortages by certain suppliers. Although prices and raw material availability normalized during fiscal 2009 and we do not currently foresee extraordinary difficulty in obtaining the materials, sub-assemblies, components or other supplies necessary for our business operations, we cannot predict if similar difficulties will occur in the future, including further price increases, that may adversely affect our business.

In addition, rising fuel and oil prices can also have a significant adverse impact on transportation costs related to both the purchasing and delivery of products.

Although the cost of certain raw materials and distribution costs decreased during fiscal 2009 and a portion of fiscal 2010, due in large part to the decreasing price of fuel and oil, certain raw material costs have risen in recent months. If costs materially increase in the future, we may not be able to implement price increases to our customers, which would adversely impact our gross margins.

The acquisition of new businesses and product lines, which has inherent risks, is an important part of our growth strategy.

We intend to grow, in part, by acquiring businesses. The success of this strategy depends upon several factors, including our ability to:

- identify and acquire businesses;
- obtain financing for acquisitions on terms that are favorable or acceptable;

- integrate acquired operations, personnel, products and technologies into our organization effectively;
- retain and motivate key personnel and retain the customers of acquired companies; and
- successfully promote and increase sales and profits of acquired product lines.

In addition, even if acceptable financing is obtained, such financing may result in significant charges associated with the potential write-off of existing deferred financing costs.

On August 1, 2009, we adopted Accounting Standards Codification ("ASC") 805, "*Business Combinations,*" ("ASC 805"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, contingent future consideration, any non-controlling interest in the acquiree and the goodwill acquired. The provisions of this new accounting pronouncement may make it more difficult for us to identify acquisitions that meet all of our financial strategic objectives. Additionally, the new provisions of ASC 805 relating to contingent future consideration, or earn-outs, require us to record the fair value of such estimated amounts at the date of acquisition and continually remeasure the liability at each balance sheet date, which has the potential for creating significant earnings volatility should earnouts be used in our future acquisitions.

In addition, we have occasionally used our stock as partial consideration for acquisitions. Our common stock may not remain at a price at which it can be used as consideration for acquisitions without diluting our existing stockholders, and potential acquisition candidates may not view our stock attractively. We also may not be able to sustain the rates of growth that we have experienced in the past, whether by acquiring businesses or otherwise.

We have a significant amount of goodwill and intangible assets on our balance sheet related to acquisitions. If future operating results of the acquired business are significantly less than the results anticipated at the time of the acquisition, we may be required to incur impairment charges. At July 31, 2010, the average fair value of all of our reporting units exceeded book value by substantial amounts, except our Specialty Packaging segment, which had an average fair value that exceeded book value by approximately 16%.

Competition from manufacturing facilities located in China and Southeast Asia could result in a reduction in our net sales of healthcare disposable products due to reduced average selling prices or our customers no longer purchasing certain products from us.

Despite expensive shipping costs, some of our competitors manufacture certain healthcare disposable products in China and Southeast Asia due to lower overall costs in certain parts of that region of the world. Although we believe the quality of our healthcare disposable products, which are produced in the United States, are superior, our sales in the future may be adversely affected by either loss of sales or reductions in the price of our products as a result of this low cost competition. In our Healthcare Disposables segment, we expect to experience significant pricing pressure that will adversely affect our gross profit in fiscal 2011 in our Healthcare Disposables segment as a result of low cost competition in China and Southeast Asia.

We are subject to extensive government regulation. Government regulation may delay or prevent new product introduction.

Many of our products are subject to regulation by governmental and private agencies in the United States and abroad, which regulate the testing, manufacturing, storage, packaging, labeling, distribution and marketing of medical supplies and devices. Certain international regulatory bodies also impose import restrictions, tariff regulations, duties and tax requirements. Delays in agency review can significantly delay new product introduction and may result in a product becoming "dated" or losing its market opportunity before it can be introduced. The FDA and other agency clearances generally are required before we can market new products in the United States or make significant changes to existing products. The FDA also has the authority to require a recall or modification of products in the event of a defect. The process of obtaining marketing clearances and approvals from regulatory agencies for new products can be time consuming and expensive. There is no assurance that clearances or approvals will be granted or that agency review will not involve delays that would adversely affect our ability to commercialize our products.

During the past several years, the FDA, in accordance with its standard practice, has conducted a number of inspections of our manufacturing facilities to ensure compliance with regulatory standards relating to our testing, manufacturing, storage and packaging of products. On occasion, following an inspection, the FDA has called our attention to certain "Good Manufacturing Practices" compliance deficiencies. Failure to adequately correct violations or otherwise comply with requests made by the FDA can result in regulatory action being initiated by the FDA including seizure, injunction and civil monetary penalties.

Federal, state and foreign regulations regarding the manufacture and sale of our products are subject to change. We cannot predict what impact, if any, such changes might have on our business. In addition, there can be no assurance that regulation of our products will not become more restrictive in the future and that any such development would not have a material adverse effect on our business. For a more detailed discussion on government regulation and related risks, see "Business - Government Regulation."

Currency fluctuations and trade barriers could adversely affect our results of operations.

A portion of our products in all of our business segments are exported to and imported from a variety of geographic locations, and our business could be materially and adversely affected by the imposition of trade barriers, fluctuations in the rates of exchange of various currencies, tariff increases and import and export restrictions, affecting all of such geographies including but not limited to the United States, Canada, the European Union, the United Kingdom and the Far East.

Our Canadian subsidiaries purchase a portion of their inventories and incur expenses in United States dollars and sell a significant amount of their products in United States dollars. Our United States subsidiaries also sell a portion of their products in euros and British pounds. Therefore, we are exposed to foreign exchange gains and losses upon settlement of such items. Similarly, our foreign subsidiaries' United States denominated assets and liabilities must be converted into their functional currency when preparing their financial statements, which results in foreign exchange gains and losses. Additionally, the results of operations of our foreign subsidiaries are translated from their functional currency to United States dollars for purposes of preparing our Consolidated Financial Statements. Therefore, the results of our operations could be materially and adversely affected by fluctuations in the value of the Canadian dollar, euro and British pound against the United States dollar.

Customer acceptance of our products is dependent on our ability to meet changing requirements.

Customer acceptance of our products is significantly dependent on our ability to offer products that meet the changing requirements of our customers, including hospitals, industrial laboratories, doctors, dentists, clinics, government agencies and industrial corporations. Any decrease in the level of customer acceptance of our products could have a material adverse effect on our business.

We distribute our products in highly competitive markets.

We distribute substantially all of our products in highly competitive markets that contain many products available from nationally and internationally recognized competitors. Many of these competitors have significantly greater financial, technical and human resources than us and are well-established. In addition, some companies have developed or may be expected to develop technologies or products that could compete with the products we manufacture and distribute or that would render our products obsolete or noncompetitive. In addition, our competitors may achieve patent protection, regulatory approval or product commercialization that would limit our ability to compete with them. Although we believe that we compete effectively with all of our present competitors in our principal product groups, there can be no assurance that we will continue to do so. These and other competitive pressures could have a material adverse effect on our business. See "Business – Competition."

Deterioration in the economy and credit markets may adversely affect our future results of operations.

Our business has been and may continue to be adversely affected by the deterioration in the general economy and credit markets by potentially causing our customers to slow spending on our products, especially capital equipment. Sales of capital equipment represented approximately 25% of our fiscal 2010 consolidated net sales and are primarily included in our Water Purification and Filtration, Dialysis and Endoscope Reprocessing segments.

Because we operate in international markets, we are subject to political and economic risks that we do not face in the United States.

We operate in a global market. Global operations are subject to risks, including political and economic instability, general economic conditions, imposition of government controls, the need to comply with a wide variety of foreign and United States export laws, trade restrictions and the greater difficulty of administering business overseas.

The markets for many of our products are subject to changing technology.

The markets for many products we sell, such as endoscope reprocessing and water purification equipment, are subject to changing technology, new product introductions and product enhancements, and evolving industry standards. The introduction or enhancement of products embodying new technology or the emergence of new industry standards could render existing products obsolete or result in short product life cycles. Accordingly, our ability to compete is in part dependent on our ability to continually offer enhanced and improved products.

We may be exposed to product liability claims resulting from the use of products we sell and distribute.

We may be exposed to product liability claims resulting from the products we sell and distribute. We maintain general liability insurance that includes product liability coverage, which we believe is adequate for our businesses. However, there can be no assurance that insurance coverage for these risks will continue to be available or, if available, that it will be sufficient to cover potential claims or that the present level of coverage will continue to be available at a reasonable cost. A partially or completely uninsured successful claim against us could have a material adverse effect on us.

We use chemicals and other regulated substances in the manufacturing of our products.

In the ordinary course of certain of our manufacturing processes, we use various chemicals and other regulated substances. Although we are not aware of any material claims involving violation of environmental or occupational health and safety laws or regulations, there can be no assurance that such a claim may not arise in the future, which could have a material adverse effect on us.

We rely on intellectual property and proprietary rights to maintain our competitive position.

We rely heavily on proprietary technology that we protect primarily through licensing arrangements, patents, trade secrets and proprietary know-how. There can be no assurance that any pending or future patent applications will be granted or that any current or future patents, regardless of whether we are an owner or a licensee of the patent, will not be challenged, rendered unenforceable, invalidated or circumvented or that the rights will provide a competitive advantage to us. There can also be no assurance that our trade secrets or non-disclosure agreements will provide meaningful protection of our proprietary information. There can also be no assurance that others will not independently develop similar technologies or duplicate any technology developed by us or that our technology will not infringe upon patents or other rights owned by others.

If we are unable to retain key personnel, our business could be adversely affected.

Our success is dependent to a significant degree upon the efforts of key members of our management. Although none of our key executives has an employment agreement with the Company, during fiscal 2010, we adopted short and long term incentive plans for our key executives, including our division CEOs, and entered into severance agreements with these executives. Such short and long term incentive plans are designed in part to have a retentive effect on the executives. However, there can be no assurance that the terms of the new plans or the severance agreements will have such an effect. We believe the loss or unavailability of any of such individuals could have a material adverse effect on our business. In addition, our success depends in large part on our ability to attract and retain highly qualified scientific, technical, sales, marketing and other personnel. Competition for such personnel is intense and there can be no assurance that we will be able to attract and retain the personnel necessary for the development and operation of our businesses.

Our stock price has been volatile and may experience continued significant price and volume fluctuations in the future that could reduce the value of outstanding shares.

The market for our common stock has, from time to time, experienced significant price and volume fluctuations that may have been unrelated to our operating performance. Factors such as announcements of our quarterly financial results and new business developments could also cause the market price of our common stock to fluctuate significantly.

Modifications to our revolving credit facility in fiscal 2011 may result in less favorable terms.

Our United States credit facilities have a termination date of August 1, 2011. Although we may repay a portion of our outstanding borrowings under the revolver throughout fiscal 2011, we do not presently anticipate paying off the revolver in full by its termination date. We are in discussions with our bank syndicate regarding modifications to such facility, including an extension of the termination date, and expect to formally modify the facility before its expiration. However, no

assurance can be made that we will be successful in modifying the facilities before its expiration or on similar terms as currently in effect.

We may face significant uncertainty in the industry due to government healthcare reform.

The healthcare industry in the United States is subject to fundamental changes due to the ongoing healthcare reform and the related political, economic and regulatory influences. In March 2010, comprehensive healthcare reform legislation was signed into law in the United States through the passage of the Patient Protection and Affordable Health Care Act and the Health Care and Education Reconciliation Act. Among other initiatives, the legislation provides for a 2.3% annual excise tax on the sales of certain medical devices in the United States commencing in January 2013. We manufacture and sell devices that will likely be subject to this tax, which could adversely affect our operating expenses and results of operations. In addition, various healthcare reform proposals have also emerged at the state level. We cannot predict with certainty what healthcare initiatives, if any, will be implemented at the state level, or what the ultimate effect of federal healthcare reform or any future legislation or regulation may have on us or on our customers' purchasing decisions regarding our products and services.

Item 1B. UNRESOLVED STAFF COMMENTS.

None

Item 2. PROPERTIES.

Owned Facilities

We own three buildings located on adjacent sites, comprising a total of 16.5 acres of land in Plymouth, a suburb of Minneapolis, Minnesota. The principal facility is a 110,000 square-foot building used for executive, administrative and sales staff, research operations, manufacturing and warehousing. The second facility is a 65,000 square-foot building used for manufacturing and warehousing. The third facility is a 43,000 square-foot building used for manufacturing, warehousing and administrative and sales staff. These facilities are used for our Dialysis, Endoscope Reprocessing, Therapeutic Filtration and Chemistries operating segments, as well as a portion of our Water Purification and Filtration operating segment.

We own a 63,000 square-foot building in Hauppauge, New York, the headquarters for our Crosstex subsidiary, which is used for executive, administrative and sales staff, manufacturing and warehousing for our Healthcare Disposables operating segment.

As a result of the acquisition of G.E.M. on July 31, 2009, we own a 13,825 square-foot building in Buena Park, California, which serves as our west coast warehouse and regeneration plant for our Water Purification and Filtration segment.

Leased Facilities

Our principal leased facilities include the following:

Location	Purpose	Square Footage	Principal Operating Segment
Middletown, PA	Warehouse and distribution hub	31,000	Dialysis
Plymouth, MN.....	Warehousing	44,000	Various
Hauppauge, NY.....	Warehousing	46,000	Healthcare Disposables
Sharon, PA	Manufacturing and warehousing	52,000	Healthcare Disposables
Santa Fe Springs, CA	Manufacturing and warehousing	35,000	Healthcare Disposables
Lawrenceville, GA	Manufacturing and warehousing	40,000	Healthcare Disposables
Burlington, Ontario ...	Sales and administrative offices, research and engineering, manufacturing and warehousing	21,600	Water Purification and Filtration
Skippack, PA.....	Sales and administrative offices, manufacturing, warehousing and regeneration plant	22,500	Water Purification and Filtration
Heerlan, the Netherlands (1).....	Sales and service offices, warehouse and distribution hub	21,000	Various

Lowell, MA (2)	Sales and administrative offices, manufacturing, warehousing and regeneration plant	26,000	Water Purification and Filtration
San Antonio, TX	Sales, service, storage and regeneration plant	8,900	Water Purification and Filtration
Edmonton, Alberta	Executive, sales and administrative offices, manufacturing and warehousing	11,700	Specialty Packaging (Included in All Other reporting segment)
Little Falls, NJ	Corporate executive offices	8,900	Cantel Medical Corp.

(1) As part of the restructuring plan of our Netherlands subsidiary as further described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 18 to the Consolidated Financial Statements, we sold our building and land in Heerlan, the Netherlands on May 19, 2009 and entered into a lease for 2.5 years with the new owner so we can continue to use the facility as our European sales and service headquarters as well as for warehouse and distribution activity. The sale of the building and land resulted in a gain of $146,000, which is being amortized over the life of the lease and is recorded in deferred revenue and other long-term liabilities. The rent for the full 2.5 year lease of $325,000 was paid from the sale proceeds and recorded as a prepaid expense in the Consolidated Financial Statements.

(2) The facility in Lowell is leased from a company that is affiliated with an employee of Mar Cor.

In addition, we lease office and sales space in Tokyo, Japan; Singapore; and Beijing, China that is used for all of our operating segments other than Healthcare Disposables, Specialty Packaging and Chemistries. We lease office, sales and warehouse space in Lienden, the Netherlands for our Healthcare Disposables segment.

We lease additional space for our Water Purification and Filtration segment in Downers Grove, Illinois; Norcross, Georgia; Mount Jackson, Virginia; Goshen, New York; Orion Township, Michigan; North Royalton, Ohio; Durham, North Carolina; Smyrna, Tennessee; Carrollton, Texas; Auburn, Washington; Lakeland, Florida; Pittsburgh, Pennsylvania; Concord, California; Toronto, Ontario; and Montreal, Quebec. The Downers Grove, Norcross, Toronto and Montreal facilities serve as warehouses and regeneration plants, while the other locations are small storage facilities supporting local service operations.

We also lease additional space for our Specialty Packaging segment in Glen Burnie, Maryland that is used for sales and marketing, warehousing and as a distribution hub.

Net rentals for leased space for fiscal 2010 aggregated approximately $2,995,000 compared with $2,815,000 in fiscal 2009.

Item 3. **LEGAL PROCEEDINGS.**

In the normal course of business, we are subject to pending and threatened legal actions. It is our policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount of anticipated exposure can be reasonably estimated. We do not believe that any of these pending claims or legal actions will have a material effect on our business, financial condition, results of operations or cash flows.

Item 4. **RESERVED.**

PART II

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

Our Common Stock trades on the New York Stock Exchange under the symbol "CMN."

The following table sets forth, for the periods indicated, the high and low closing prices for the Common Stock as reported by the New York Stock Exchange.

	HIGH	LOW
Year Ended July 31, 2010		
First Quarter	$17.97	$13.26
Second Quarter	21.27	16.14
Third Quarter	21.48	18.45
Fourth Quarter	20.61	15.20
Year Ended July 31, 2009		
First Quarter	$10.75	$ 8.18
Second Quarter	15.33	7.57
Third Quarter	15.44	11.53
Fourth Quarter	16.84	12.51

In December 2009, we announced that we intend to pay, for the first time, a semiannual cash dividend of $0.05 per outstanding share, or $0.10 per share annually, of the Company's Common Stock. The first cash dividend of $0.05 per share of outstanding Common Stock, which totaled $840,000, was paid on January 29, 2010 to shareholders of record at the close of business on January 15, 2010. The second cash dividend of $0.05 per share of outstanding Common Stock, which totaled $843,000, was paid on July 30, 2010 to shareholders of record at the close of business on July 15, 2010. Future declaration of dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors. We are not permitted to pay cash dividends on our Common Stock in excess of $3,000,000 without the consent of our lenders.

On September 17, 2010, the closing price of our Common Stock was $15.56 and we had 334 record holders of Common Stock. A number of such holders of record are brokers and other institutions holding shares of Common Stock in "street name" for more than one beneficial owner.

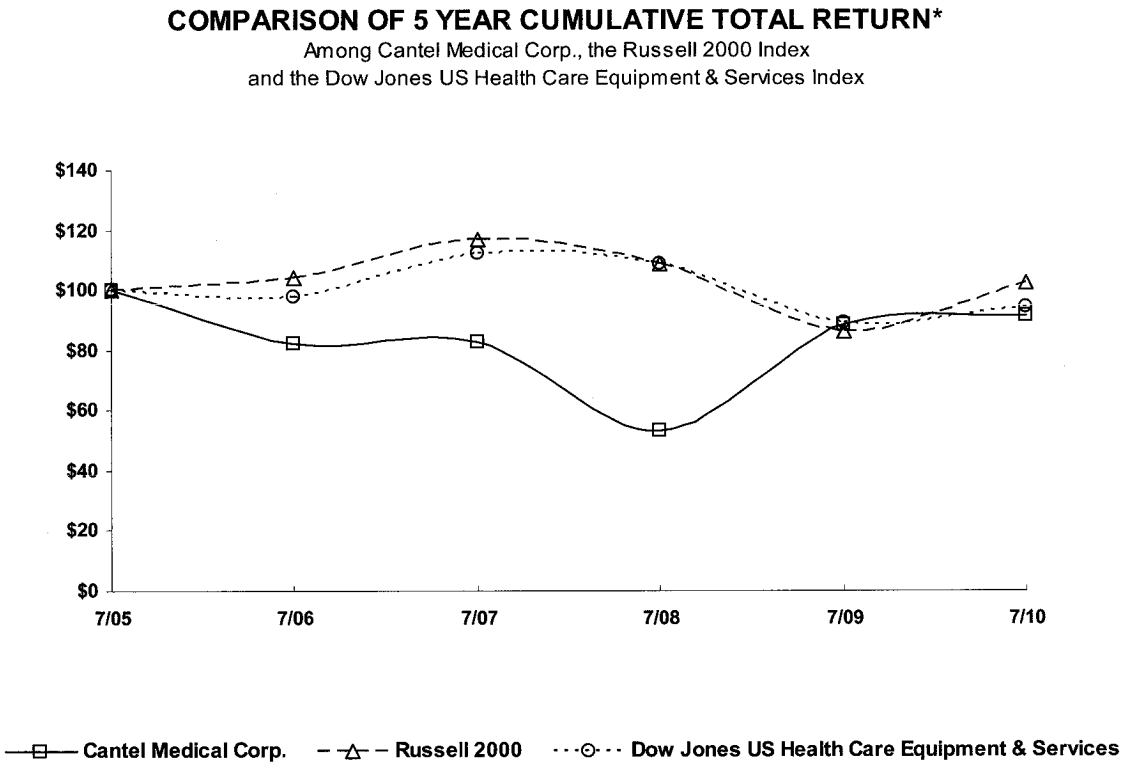
The following table represents information with respect to purchases of Common Stock made by the Company during the fourth quarter of fiscal 2010:

Month of Purchase	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the program
May	7,334	$ 18.59	-	-
June	-	-	-	-
July	-	-	-	-
Total	7,334	$ 18.59	-	-

The Company does not currently have a publicly announced stock repurchase program. All of the shares purchased during the fourth quarter of fiscal 2010 represent shares surrendered to the Company to pay employee withholding taxes due upon the vesting of restricted stock or the exercise of stock options that do not qualify as incentive stock options.

Stock Performance Graph

The following graph compares the cumulative total stockholder return on our Common Stock for the last five fiscal years with the cumulative total returns of the Russell 2000 index and the Dow Jones US Health Care Equipment & Services index over the same period (assuming an investment of $100 in our Common Stock and in each of the indexes on July 31, 2005, and where applicable, the reinvestment of all dividends).



*$100 invested on 7/31/05 in stock or index, including reinvestment of dividends.
Fiscal year ending July 31.

The stock price performance included in this graph is not necessarily indicative of future stock price performance.

Item 6. SELECTED CONSOLIDATED FINANCIAL DATA.

The financial data in the following table are qualified in its entirety by, and should be read in conjunction with, the financial statements and notes thereto and other information incorporated by reference in this Form 10-K. Gambro Water was acquired during fiscal 2011 and therefore is excluded for all periods presented. Purity is reflected in the Consolidated Statements of Income Data for the portion of fiscal 2010 subsequent to its acquisition on June 1, 2010. G.E.M. was acquired on the last day of fiscal 2009 and therefore is included in the Consolidated Statements of Income Data for fiscal 2010 (but the net assets of G.E.M. are included in the Consolidated Balance Sheet Data as of July 31, 2009.) The acquired operations of Dialysis Services, Inc. ("DSI"), Verimetrix, LLC ("Verimetrix") and Strong Dental Products, Inc. ("Strong Dental") are reflected in the Consolidated Statements of Income Data for fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to their acquisitions on August 1, 2007, September 17, 2007 and September 26, 2007, respectively. The acquired operations of GE Water and Twist 2 It Inc. ("Twist") are reflected in the Consolidated Statements of Income Data for fiscals 2010, 2009 and 2008 and the portion of fiscal 2007 subsequent to their acquisitions on March 30, 2007 and July 9, 2007, respectively. Purity, G.E.M., DSI, Verimetrix, Strong Dental, GE Water and Twist, are not reflected in the results of operations for all other periods presented. Since the Olympus distribution agreements with Carsen Group Inc. ("Carsen"), as well as Carsen's active business operations, terminated on July 31, 2006, Carsen is reflected as a discontinued operation for all years presented.

Consolidated Statements of Income Data
(Amounts in thousands, except per share data)

	Year Ended July 31,				
	2010	**2009**	**2008**	**2007**	**2006**
Net sales	$ 273,952	$ 260,050	$ 249,374	$ 219,044	$ 192,179
Cost of sales	162,981	160,571	161,748	140,032	122,963
Gross profit	110,971	99,479	87,626	79,012	69,216
Income from continuing operations before interest expense and income taxes	32,665	27,451	17,967	16,839	15,344
Interest expense, net	1,110	2,495	4,116	2,737	3,393
Income from continuing operations before income taxes	31,555	24,956	13,851	14,102	11,951
Income taxes	11,614	9,387	5,158	5,998	5,298
Income from continuing operations	19,941	15,569	8,693	8,104	6,653
Income from discontinued operations, net of tax	-	-	-	342	10,268
Gain on disposal of discontinued operations, net of tax	-	-	-	-	6,776
Net income	$ 19,941	$ 15,569	$ 8,693	$ 8,446	$ 23,697
Earnings per common share:					
Basic: (1)					
Continuing operations	$ 1.19	$ 0.94	$ 0.53	$ 0.52	$ 0.43
Discontinued operations	-	-	-	0.02	0.66
Gain on disposal of discontinued operations	-	-	-	-	0.44
Net income	$ 1.19	$ 0.94	$ 0.53	$ 0.54	$ 1.53
Diluted: (1)					
Continuing operations	$ 1.18	$ 0.94	$ 0.53	$ 0.50	$ 0.41
Discontinued operations	-	-	-	0.02	0.63
Gain on disposal of discontinued operations	-	-	-	-	0.42
Net income	$ 1.18	$ 0.94	$ 0.53	$ 0.52	$ 1.46
Dividends per common share	$ 0.10	$ -	$ -	$ -	$ -
Weighted average number of shares and common stock equivalents attributable to both common stock and participating securities: (1)					
Basic	16,777	16,519	16,276	15,711	15,471
Diluted	16,968	16,576	16,440	16,173	16,276

Consolidated Balance Sheets Data
(Amounts in thousands, except per share data)

	July 31,				
	2010	2009	2008	2007	2006
Total assets	$280,665	$277,871	$279,190	$263,671	$238,227
Current assets	94,731	88,910	84,561	76,731	82,448
Current liabilities	40,984	39,113	38,922	35,971	39,097
Working capital	53,747	49,797	45,639	40,760	43,351
Long-term debt	11,000	33,300	50,300	51,000	34,000
Stockholders' equity	209,405	187,116	168,712	155,070	140,805
Book value per outstanding common share	$12.42	$11.24	$10.31	$9.62	$9.14
Common shares outstanding	16,866	16,644	16,371	16,116	15,399

(1) Per share and share amounts have been adjusted retrospectively to conform to the provisions of ASC 260-10-45, "*Earnings Per Share – Other Presentation Matters,*" ("ASC 260-10-45"). In June 2008, the Financial Accounting Standards Board ("FASB") issued ASC 260-10-45, which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share ("EPS") pursuant to the two-class method, a change that reduces both basic and diluted EPS. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. Previously, we excluded unvested restricted stock awards in the calculation of basic EPS and included such awards in diluted EPS under the treasury stock method. ASC 260-10-45 was effective for fiscal years beginning after December 15, 2008 and therefore was adopted on August 1, 2009. All prior period EPS data presented have been adjusted retrospectively to conform to the provisions of ASC 260-10-45. In fiscals 2009 and 2008, such retrospective application caused an insignificant increase in the denominator of our weighted average shares calculation, which decreased previously reported basic EPS in fiscals 2009 and 2008 from $0.96 to $0.94 and $0.54 to $0.53, respectively, but had no impact on previously reported diluted EPS.

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help you understand Cantel Medical Corp. ("Cantel"). The MD&A is provided as a supplement to and should be read in conjunction with our financial statements and the accompanying notes. Our MD&A includes the following sections:

Overview provides a brief description of our business and a summary of significant activity that has affected or may affect our results of operations and financial condition.

Results of Operations provides a discussion of the consolidated results of operations for fiscal 2010 compared with fiscal 2009, and fiscal 2009 compared with fiscal 2008.

Liquidity and Capital Resources provides an overview of our working capital, cash flows, contractual obligations, financing and foreign currency activities.

Critical Accounting Policies provides a discussion of our accounting policies that require critical judgments, assumptions and estimates.

Overview

Cantel is a leading provider of infection prevention and control products and services in the healthcare market, specializing in the following operating segments:

- Water Purification and Filtration: Water purification equipment and services, filtration and separation products, and disinfectants for the medical, pharmaceutical, biotech, beverage and commercial industrial markets.

- Healthcare Disposables: Single-use, infection prevention and control products used principally in the dental market including face masks, sterilization pouches, towels and bibs, tray covers, saliva ejectors, germicidal wipes, plastic cups and disinfectants.

- Endoscope Reprocessing: Medical device reprocessing systems, disinfectants, enzymatic detergents and other supplies used to high-level disinfect flexible endoscopes.

- Dialysis: Medical device reprocessing systems, sterilants/disinfectants, dialysate concentrates and other supplies for renal dialysis.

- Therapeutic Filtration: Hollow fiber membrane filtration and separation technologies for medical applications. (Included in All Other reporting segment.)

- Specialty Packaging: Specialty packaging and thermal control products, as well as related compliance training, for the transport of infectious and biological specimens and thermally sensitive pharmaceutical, medical and other products. (Included in All Other reporting segment.)

- Chemistries: Sterilants, disinfectants, detergents and decontamination services used in various applications for infection prevention and control. (Included in All Other reporting segment.)

Most of our equipment, consumables and supplies are used to help prevent the occurrence or spread of infections.

Significant Activity

(i) Net income increased by 28% in fiscal 2010 compared with fiscal 2009. We continue to benefit from having a broad portfolio of infection prevention and control products sold into diverse business segments and we have proactively developed our overall business to where approximately 75% of our net sales are attributable to consumable products and service. The primary factors that contributed to this financial performance, as further described elsewhere in this MD&A, were as follows:

- An increase in net income of approximately $1,250,000 due to an increase in demand during the first four months of fiscal 2010, partially offset by a high level of demand during our fourth quarter of fiscal 2009, for healthcare disposables products in both periods as a result of the outbreak of the novel H1N1 (swine flu) in April 2009,
- improved gross margins as a result of numerous profit improvement and sales and marketing initiatives and the continued shift in sales mix to higher margin disposables,
- higher selling prices including those attributable to converting the sale of high-level disinfectants in our Endoscope Reprocessing segment from our former equipment distributor to our direct sales and service force at higher selling prices,
- reductions in manufacturing, raw material and distribution costs,
- general company-wide efforts to control operating expenses while still investing in sales, marketing and research and development activities, and
- favorable interest costs due to both reduced average interest rates as well as lower outstanding borrowings.

The above favorable factors were partially offset by (i) decreases in net sales and profitability in our Dialysis segment, (ii) increased selling costs in our Endoscope Reprocessing segment and (iii) decreases in net sales of capital equipment in our Water Purification and Filtration segment, as further explained elsewhere in this MD&A. Additionally, although the outbreak of the novel H1N1 flu resulted in strong sales volume of high margin face masks and other healthcare disposables products during the first four months of fiscal 2010, such sales volume has returned to a sales level that is similar to that which existed prior to the outbreak of the novel H1N1 flu given that the elevated level of reported cases of influenza viruses has subsided.

(ii) We sell our dialysis products to a concentrated number of customers. Sales in our Dialysis segment were adversely impacted by the continued loss of some lower margin dialysate concentrate business from both domestic and international customers as a result of the highly competitive and price sensitive market for such product, as well as the decrease in demand for our Renatron reprocessing equipment, as more fully described elsewhere in this MD&A. This reduction in dialysis sales has reduced overall profitability in this segment. Our market for dialysis reprocessing products is limited to dialysis centers that reuse dialyzers, which market has been decreasing in the United States despite the environmental advantages and our belief that the per-procedure cost of reuse dialyzers is more economical than single-use dialyzers. A further decrease in the market for dialysis reprocessing products is likely to result in continued loss of net sales and a lower level of operating income in this segment in the future. See "Risk Factors" elsewhere in this Form 10-K.

(iii) While overall sales and operating income have increased in our Water Purification and Filtration segment in fiscal 2010 compared with fiscal 2009, our net sales of capital equipment used for dialysis as well as commercial and industrial applications have decreased primarily due to the slow growth of the overall economy and the deterioration in the credit markets in recent years, as more fully described elsewhere in this MD&A.

(iv) Fluctuations in the rates of currency exchange had an overall adverse impact on our net income in fiscal 2010, compared with fiscal 2009, as more fully described elsewhere in this MD&A.

(v) We declared our first cash semiannual dividends of $0.05 per share of outstanding common stock, which were paid on January 29, 2010 and July 30, 2010, as more fully described elsewhere in this MD&A.

(vi) We amended our credit facilities on May 28, 2010 primarily to extend the termination date of the revolving credit facility from its August 1, 2010 expiration date to August 1, 2011, as well as to expand our acquisition financing capabilities, as more fully described elsewhere in this MD&A.

(vii) Post-fiscal 2010 acquisition: We acquired the United States water purification business of Gambro Renal Products Inc. ("Gambro Water" or the "Gambro Acquisition") on October 6, 2010, as more fully described in "Business — Recent Acquisition – Subsequent to July 31, 2010" and Note 3 to the Consolidated Financial Statements.

(viii) Fiscal 2010 acquisition: We acquired the business of Purity Water Company of San Antonio, Inc. ("Purity") on June 1, 2010, as more fully described in "Business — Fiscal 2010 Acquisition" and Note 3 to the Consolidated Financial Statements.

(ix) Fiscal 2009 acquisition: We acquired the business of G.E.M. Water Systems Int'l, LLC ("G.E.M.") on July 31, 2009, as more fully described in "Business — Fiscal 2009 Acquisition" and Note 3 to the Consolidated Financial Statements.

(x) Fiscal 2008 acquisitions: We acquired the businesses of Dialysis Services, Inc. ("DSI") on August 1, 2007, Verimetrix, LLC ("Verimetrix") on September 17, 2007, and Strong Dental Products, Inc. ("Strong Dental") on September 26, 2007, as more fully described in Note 3 to the Consolidated Financial Statements.

(xi) We created a new operating segment named Chemistries, as more fully described elsewhere in this MD&A.

(xii) In July 2009, we extended the life of certain "out-of-the-money" stock options previously awarded to certain executive officers. As a result, approximately $703,000 of additional stock-based compensation expense was recorded in fiscal 2009, which decreased both basic and diluted earnings per share from continuing operations by $0.03, as more fully described in Note 11 to the Consolidated Financial Statements and elsewhere in this MD&A.

(xiii) In June 2008, we announced and began executing our plan to restructure our Netherlands manufacturing operations as part of our continuing effort to reduce operating costs and leverage our existing United States infrastructure. As a result of this restructuring, approximately $345,000 and $365,000 of restructuring costs were recorded in fiscals 2009 and 2008, respectively, which decreased both basic and diluted earnings per share by $0.02 in each of fiscals 2009 and 2008, as more fully described in Note 18 to the Consolidated Financial Statements and elsewhere in this MD&A.

Results of Operations

The results of operations described below reflect the operating results of Cantel and its wholly-owned subsidiaries.

Since the DSI, Verimetrix and Strong Dental acquisitions were completed on August 1, 2007, September 17, 2007 and September 26, 2007, respectively, their results of operations are included in our results of operations for fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to their respective acquisition dates. The acquisitions of DSI, Verimetrix and Strong Dental had an overall insignificant effect on our results of operations for fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to their respective acquisition dates due to the small size of these businesses.

Since the G.E.M. acquisition was completed on the last day of fiscal 2009, its results of operations are included in our results of operations for fiscal 2010, but are not reflected in our results of operations for fiscals 2009 and 2008.

The June 1, 2010 Purity acquisition had an insignificant effect on our results of operations for fiscal 2010 due to both the small size of this business as well as its inclusion for only two months in fiscal 2010, and its results of operations are excluded for all prior periods.

Since the Gambro Acquisition was consummated after the end of fiscal 2010, its results of operations are not included in our results of operations for any of the periods presented.

During fiscal 2010, we changed our internal reporting processes to include a new operating segment called Chemistries to reflect the way the Company, through its executive management, manages, allocates resources and measures the performance of its businesses. This new operating segment is the combination of a small portion of our existing sterilant business, comprised of products sold on an OEM basis and previously recorded in our Water Purification and Filtration segment, and a new business operation that was created to capitalize on our chemistry expertise and expand our product offerings in existing and new markets within the infection prevention and control arena. This new Chemistries operating segment has been combined for reporting purposes with our Therapeutic Filtration and Specialty Packaging operating segments into the All Other reporting segment. All periods presented have been restated to reflect this change.

The following table gives information as to the net sales from operations and the percentage to the total net sales from operations for each of our reporting segments.

	Year Ended July 31,					
	2010		2009		2008	
	(Dollar Amounts in thousands)					
	$	%	$	%	$	%
Water Purification and Filtration	$ 74,527	27.2	$ 68,941	26.5	$ 66,323	26.6
Healthcare Disposables	69,729	25.5	64,085	24.7	58,657	23.5
Endoscope Reprocessing	65,577	23.9	52,333	20.1	46,924	18.8
Dialysis	44,667	16.3	56,414	21.7	60,075	24.1
All Other	19,452	7.1	18,277	7.0	17,395	7.0
	$ 273,952	100.0	$ 260,050	100.0	$ 249,374	100.0

Fiscal 2010 compared with Fiscal 2009

Net sales

Net sales increased by $13,902,000, or 5.3%, to $273,952,000 in fiscal 2010 from $260,050,000 in fiscal 2009.

The increase in net sales in fiscal 2010 was principally attributable to increases in sales of endoscope reprocessing products and services, water purification and filtration products and services and healthcare disposables products, partially offset by a decrease in dialysis products.

Net sales of endoscope reprocessing products and services increased by 25.3% in fiscal 2010 compared with fiscal 2009 primarily due to increases in both domestic and international demand for (i) our endoscope reprocessing equipment as a result of a more aggressive sales commission plan designed to gain market share and expand into new markets and (ii) our disinfectants, equipment accessories and service due to the increased field population of equipment. Additionally, the increase was due to higher selling prices of our disinfectants in the United States as a result of converting such prior period sales from our former equipment distributor to our direct sales and service force.

Net sales of water purification and filtration products and services increased by 8.1% in fiscal 2010 compared with fiscal 2009 primarily due to (i) approximately $3,705,000 of net sales due to the acquisition of G.E.M. on July 31, 2009 and Purity on June 1, 2010, (ii) an increase in demand for our sterilants and filters within our installed equipment base of business, and (iii) the translation of Canadian dollar net sales using a stronger Canadian dollar against the United States dollar, which favorably impacted net sales by approximately $720,000. Partially offsetting these increases was a decrease in demand for our water purification equipment used for dialysis (including a decrease in demand for capital equipment by our largest customer) as well as commercial and industrial applications primarily due to the slow growth of the overall economy and the deterioration in the credit markets in recent years, which may continue to adversely affect capital equipment sales. Increases in selling prices of our water purification and filtration products and services did not have a significant effect on net sales in fiscal 2010 compared with fiscal 2009.

Net sales of healthcare disposables products increased by 8.8% in fiscal 2010 compared with fiscal 2009 despite nominal growth in the overall dental market primarily due to (i) increased sales volume of high margin face masks, disinfectants and other healthcare disposables products during the first four months of fiscal 2010, partially offset by a high level of demand during the fourth quarter of fiscal 2009, due to the outbreak of the novel H1N1 flu (swine flu) in April 2009, (ii) increased demand for our sterilization pouch and barrier cover products as a result of favorable sales and marketing initiatives and (iii) approximately $725,000 in higher net sales as a result of increases in selling prices that were implemented to offset corresponding supplier cost increases. Although the outbreak of the novel H1N1 flu resulted in strong sales volume of high margin face masks and other healthcare disposables products during the first four months of fiscal 2010, such sales volume has returned to a sales level that is similar to that which existed prior to the outbreak of the novel H1N1 flu given that the elevated level of reported cases of influenza viruses has subsided. Atypical demand for face masks is highly dependent upon the severity and timing of any pandemic flu outbreak such as the recent novel H1N1 flu, the ability of our Company to educate existing customers and potential new customers on the benefits of our face masks, disinfectants and other products and the level of urgency our customers and the general public develop and maintain with respect to epidemic and pandemic preparedness.

Net sales of dialysis products and services decreased by 20.8% in fiscal 2010 compared with fiscal 2009 primarily due to (i) the continuing adverse impact of losing some dialysate concentrate business (a concentrated acid or bicarbonate used to prepare dialysate, a chemical solution that draws waste products from a patient's blood through a dialyzer membrane during hemodialysis treatment) from domestic and international customers as a result of the highly competitive and price sensitive market for this lower margin commodity product, as well as various global economic factors with respect to international demand, and (ii) a decrease in demand in the United States (including a decrease from our largest dialysis customer) and internationally for our Renatron dialyzer reprocessing equipment. Due to sales price decreases by some of our competitors, we expect a continued decrease in net sales of our lower margin dialysate concentrate product in the future as we elect not to pursue unprofitable concentrate sales. Furthermore, Fresenius Medical Care ("Fresenius"), the largest dialysis provider chain in the United States, manufactures dialysate concentrate themselves and has been decreasing their purchases of that product from us and may continue to do so in the future. Our market for dialysis reprocessing products is limited to dialysis centers that reuse dialyzers, which market has been decreasing in the United States despite the environmental advantages and our belief that the per procedure cost of reuse dialyzers is more economical than single-use dialyzers. A further decrease in the market for dialysis reprocessing products is likely to result in continued loss of net sales and a lower level of operating income in this segment in the future. Increases in selling prices of our dialysis products did not have a significant effect on net sales in fiscal 2010 compared with fiscal 2009.

Net sales in the All Other reporting segment increased by 6.4% in fiscal 2010 compared with fiscal 2009 primarily due to a $795,000, or 33.1%, increase in net sales in our Chemistries operating segment primarily as a result of increased domestic and international demand of our sterilants sold on an OEM basis. Increases in selling prices of our therapeutic filtration, specialty packaging and chemistries products did not have a significant effect on net sales in the All Other segment in fiscal 2010 compared with fiscal 2009.

Gross profit

Gross profit increased by $11,492,000, or 11.6%, to $110,971,000 in fiscal 2010 from $99,479,000 in fiscal 2009. Gross profit as a percentage of net sales in fiscals 2010 and 2009 was 40.5% and 38.3%, respectively.

The gross profit percentage in fiscal 2010 increased compared with fiscal 2009 primarily due to (i) favorable sales mix due to the increased sales volume of certain higher margin products such as sterilants and filters in our Water Purification and Filtration segment, sterilization pouches, barrier covers, face masks and disinfectants in our Healthcare Disposables segment and disinfectants and equipment accessories in our Endoscope Reprocessing segment, as well as decreased sales of our lower margin dialysate concentrate product in our Dialysis segment, (ii) higher selling prices including those attributable to converting the sale of high-level disinfectants in our Endoscope Reprocessing segment from our former equipment distributor to our direct sales and service force at higher selling prices, (iii) a decrease in raw material costs due to the lower price of oil and (iv) improved efficiencies in our manufacturing, distribution and service functions. However, we cannot provide assurances that our gross profit percentage will not be adversely affected in the future (i) by price competition in certain of our segments such as Dialysis and Healthcare Disposables, (ii) by uncertainties associated with our product mix and (iii) if raw materials and distribution costs increase and we are unable to implement price increases. Additionally, despite expensive shipping costs, some of our competitors manufacture certain healthcare disposable products in China and Southeast Asia due to lower overall costs in certain parts of that region of the world. Although we believe the quality of our healthcare disposable products, which are generally produced in the United States, are superior to similar products produced in China and Southeast Asia, we expect to experience significant pricing pressure that will adversely affect our gross profit in fiscal 2011 in our Healthcare Disposables segment as a result of low cost competition in China and Southeast Asia.

Operating expenses

Selling expenses increased by $5,694,000, or 18.7%, to $36,092,000 in fiscal 2010 from $30,398,000 in fiscal 2009 primarily due to (i) additional sales personnel and higher compensation expense principally in our Endoscope Reprocessing segment relating to incentive compensation, including commissions expense from a more aggressive commission plan designed to gain market share and expand into new markets, (ii) an increase in advertising and marketing expense primarily related to our Healthcare Disposables segment and (iii) increased sales support services principally in our Water Purification and Filtration and Endoscope Reprocessing segments during the first six months of fiscal 2010.

Selling expenses as a percentage of net sales were 13.2% and 11.7% in fiscals 2010 and 2009, respectively. The increase in our selling expense as a percentage of net sales was due to our strategic decision to invest in selling initiatives designed to gain or maintain market share as well as to expand into new markets.

General and administrative expenses increased by $47,000 to $37,045,000 in fiscal 2010 from $36,998,000 in fiscal 2009 primarily due to (i) higher compensation expense of approximately $940,000 relating to annual salary increases and incentive compensation in all our locations and additional personnel principally in our Water Purification and Filtration segment and (ii) an increase of approximately $345,000 relating to foreign currency primarily as a result of the inclusion of foreign exchange gains during the prior year associated with translating certain foreign denominated assets into functional currencies as well as the translation of general and administrative expenses of our international subsidiaries using a significantly stronger Canadian dollar against the United States dollar. These increases were substantially offset by (i) approximately $400,000 in lower bad debt expense primarily in our Water Purification and Filtration segment, (ii) a $324,000 decrease in stock-based compensation expense due to a $703,000 charge in July 2009 to extend the life of certain "out-of-the-money" stock options previously awarded to certain executive officers and (iii) a decrease in overhead and restructuring costs at our Netherlands operation due to the completion of restructuring activities, as more fully described elsewhere in this MD&A.

General and administrative expenses as a percentage of net sales were 13.5% in fiscal 2010 compared with 14.2% in fiscal 2009.

Research and development expenses (which include continuing engineering costs) increased by $537,000 to $5,169,000 in fiscal 2010 from $4,632,000 in fiscal 2009. This increase is primarily due to development work on certain new products in our newly created Chemistries operating segment. In fiscal 2011, we intend to further invest in research and development to leverage our new Chemistry group across various infection prevention and control opportunities.

Interest

Interest expense decreased by $1,470,000 to $1,169,000 in fiscal 2010 from $2,639,000 in fiscal 2009 primarily due to decreases in average outstanding borrowings and average interest rates as well as a $148,000 charge in the prior year relating to the ineffective portion of the change in fair value of an interest rate cap agreement, as more fully described elsewhere in this MD&A and Note 12 to the Consolidated Financial Statements.

Interest income decreased by $85,000 to $59,000 in fiscal 2010, from $144,000 in fiscal 2009, primarily due to a decrease in average interest rates.

Income from operations before taxes

Income before income taxes increased by $6,599,000 to $31,555,000 in fiscal 2010 from $24,956,000 in fiscal 2009. The increase was primarily attributable to the improved gross profit percentage on increased sales as well as lower interest expense, partially offset by higher selling expenses, as further explained above.

Income taxes

The consolidated effective tax rate was 36.8% and 37.6% in fiscals 2010 and 2009, respectively. The decrease in the consolidated effective tax rate was principally due to a lower level of cash repatriations from our foreign subsidiaries and the geographic mix of pre-tax income, as described below.

The majority of our income before income taxes was generated from our United States operations, which had an overall effective tax rate of 37.6% and 38.6% in fiscals 2010 and 2009, respectively. The decrease in our United States effective tax rate in fiscal 2010, compared with fiscal 2009, was primarily due to less income taxes related to foreign

repatriations. In fiscal 2010, we provided for income taxes on the repatriation of $6,000,000 in earnings from one of our Canadian subsidiaries as compared with fiscal 2009 in which approximately $11,400,000 in earnings was repatriated from our subsidiaries in Canada and the Netherlands.

Due to the uncertainty of our Netherlands subsidiary utilizing tax benefits in the future, a tax benefit was not recorded on the losses from operations at our Netherlands subsidiary in fiscal 2009, thereby adversely affecting our overall consolidated effective tax rate in the prior year period. In fiscal 2010, our Netherlands operation became slightly profitable as a result of the prior year restructuring of its operations, as more fully described elsewhere in this MD&A and Note 18 to the Consolidated Financial Statements.

Our Canadian operations had an overall effective tax rate of 22.6% and 16.8% in fiscals 2010 and 2009, respectively. Approximately 3% and 5% of our income before income taxes was generated from our Canadian operations in fiscals 2010 and 2009, respectively. Overall statutory tax rates in Canada are significantly below comparable rates in the United States. Additionally, the low overall effective tax rate in fiscal 2009 was attributable to the impact of a lower overall effective rate in our Specialty Packaging segment due to enacted rate deductions as applied to existing deferred income tax liabilities.

In fiscals 2010 and 2009, approximately 2% of our income before income taxes was generated from our operations in Singapore, a country with a low corporate tax structure. The overall effective tax rate for our Singapore operation was 11.8% and 13.1% in fiscals 2010 and 2009, respectively.

The results of operations for our subsidiary in Japan did not have a significant impact on our overall effective tax rate in fiscals 2010 and 2009 due to the size of income before income taxes generated from this operation.

We record liabilities for an unrecognized tax benefit when a tax benefit for an uncertain tax position is taken or expected to be taken on a tax return, but is not recognized in our Consolidated Financial Statements because it does not meet the more-likely-than-not recognition threshold that the uncertain tax position would be sustained upon examination by the applicable taxing authority. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. The majority of our unrecognized tax benefits originated from acquisitions. Previously, any adjustments upon resolution of income tax uncertainties that predate or result from acquisitions were recorded as an increase or decrease to goodwill. On August 1, 2009, we adopted Accounting Standards Codification ("ASC") 805, "*Business Combinations*" ("ASC 805"), which requires the resolution of income tax uncertainties that predate or result from acquisitions to be recognized in our results of operations beginning with fiscal 2010. However, if our unrecognized tax benefits are recognized in our financial statements in future periods, there would not be a significant impact to our overall effective tax rate due to the size of the unrecognized tax benefits in relation to our income before income taxes. Except for decreases due to the lapse of applicable statutes of limitation, we do not expect such unrecognized tax benefits to significantly decrease or increase in the next twelve months.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits
Unrecognized tax benefits on July 31, 2008	$ 427,000
Lapse of statute of limitations	(47,000)
Unrecognized tax benefits on July 31, 2009	380,000
Lapse of statute of limitations	(172,000)
Unrecognized tax benefits on July 31, 2010	$ 208,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2004.

Our policy is to record potential interest and penalties related to income tax positions in interest expense and general and administrative expense, respectively, in our Consolidated Financial Statements. However, such amounts have been relatively insignificant due to the amount of our unrecognized tax benefits relating to uncertain tax positions.

Stock-Based Compensation

The following table shows the income statement components of stock-based compensation expense recognized in the Consolidated Statements of Income:

	Year Ended July 31,		
	2010	2009	2008
Cost of sales	$ 130,000	$ 70,000	$ 43,000
Operating expenses:			
Selling	410,000	216,000	123,000
General and administrative	2,560,000	2,884,000	1,778,000
Research and development	30,000	17,000	17,000
Total operating expenses	3,000,000	3,117,000	1,918,000
Stock-based compensation before income taxes	3,130,000	3,187,000	1,961,000
Income tax benefits	(1,137,000)	(1,226,000)	(758,000)
Total stock-based compensation expense, net of tax	$ 1,993,000	$ 1,961,000	$ 1,203,000
Decrease in earnings per common share due to stock-based compensation:			
Basic	$ 0.12	$ 0.12	$ 0.07
Diluted	$ 0.12	$ 0.12	$ 0.07

The above stock-based compensation expense before income taxes was recorded in the Consolidated Financial Statements as stock-based compensation expense and an increase to additional paid-in capital. The related income tax benefits (which pertain only to stock awards and options that do not qualify as incentive stock options) were recorded as an increase to long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) and a reduction to income tax expense.

The stock-based compensation expense recorded in our Consolidated Financial Statements may not be representative of the effect of stock-based compensation expense in future periods due to the level of awards issued in past years (which level may not be similar in the future), modifications of existing awards and assumptions used in determining fair value, expected lives and estimated forfeitures. We determine the fair value of each stock award using the closing market price of our Common Stock on the date of grant. We estimate the fair value of each option grant on the date of grant using the Black-Scholes option valuation model. The determination of fair value using an option-pricing model is affected by our stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the expected option life (which is determined by using the historical closing prices of our Common Stock), the expected dividend yield (which historically was 0% and is now approximately 0.6% as we began paying dividends in fiscal 2010), and the expected option life (which is based on historical exercise behavior). If factors change and we employ different assumptions in the application of ASC Topic 718, "Compensation-Stock Compensation", ("ASC 718"), in future periods, the compensation expense that we would record may differ significantly from what we have recorded in the current period.

All of our stock options and stock awards (which consist only of restricted shares) are subject to graded vesting in which portions of the award vest at different times during the vesting period, as opposed to awards that vest at the end of the vesting period. We recognize compensation expense for awards subject to graded vesting using the straight-line basis over the vesting period, reduced by estimated forfeitures. At July 31, 2010, total unrecognized stock-based compensation expense, before income taxes, related to total nonvested stock options and stock awards which are expected to vest was $3,812,000 with a remaining weighted average period of 20 months over which such expense is expected to be recognized.

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its income tax return. Accordingly, we account for the income tax effect on such income tax deductions as additional paid-in capital or a reduction of deferred income tax assets (which are netted with long-term deferred income tax liabilities) and as

a reduction of income taxes payable. In fiscals 2010 and 2009, such income tax deductions reduced income taxes payable by $1,287,000 and $745,000, respectively.

We classify the cash flows resulting from excess tax benefits as financing cash flows on our Consolidated Statements of Cash Flows. Excess tax benefits arise when the ultimate tax effect of the deduction for tax purposes is greater than the tax benefit on stock compensation expense (including tax benefits on stock compensation expense that has only been reflected in past pro forma disclosures relating to fiscal years prior to August 1, 2005) which was determined based upon the award's fair value.

Fiscal 2009 compared with Fiscal 2008

Net sales

Net sales increased by $10,676,000, or 4.3%, to $260,050,000 in fiscal 2009 from $249,374,000 in fiscal 2008.

Net sales were adversely impacted in fiscal 2009 compared with fiscal 2008 by approximately $950,000 due to the translation of Canadian dollar net sales, primarily of our Water Purification and Filtration operating segment, using a weaker Canadian dollar against the United States dollar.

The increase in net sales in fiscal 2009 was principally attributable to increases in sales of healthcare disposables products, endoscope reprocessing products and services, water purification and filtration products and services and therapeutic filtration products (included in All Other), partially offset by a decrease in dialysis products.

Net sales of healthcare disposables products increased by 9.3% in fiscal 2009 compared with fiscal 2008 despite negative growth in the overall dental market, primarily due to (i) increased sales volume of high margin face masks, disinfectants and other healthcare disposables products due to the outbreak of the novel H1N1 flu (swine flu) in April 2009, (ii) approximately $2,700,000 in higher net sales due to an increase in selling prices, which were implemented to offset corresponding supplier cost increases, (iii) the adverse impact on the first quarter of fiscal 2008 due to the consolidation of certain distributors of our dental products during 2007 resulting in the rationalization of duplicate inventories of the consolidated companies and (iv) approximately $194,000 in incremental net sales in the first quarter of fiscal 2009 due to the acquisition of Strong Dental during the first quarter of fiscal 2008. Although the outbreak of the novel H1N1 flu has resulted in strong sales volume during our fourth quarter of high margin face masks and other healthcare disposables products, we cannot provide assurances that such increased sales levels can be sustained throughout fiscal 2010 since such demand is highly dependent upon the severity and timing of the novel H1N1 flu, the ability of our Company to educate existing customers and potential new customers on the benefits of our face masks, disinfectants and other products and the level of urgency our customers and the general public develop and maintain with respect to epidemic and pandemic preparedness.

Net sales of endoscope reprocessing products and services increased by 11.5% in fiscal 2009 compared with fiscal 2008 primarily due to (i) the increase in demand in the United States for our disinfectants and product service due to the increased field population of equipment as well as our ability to gradually convert the sale of such items from our former equipment distributor (who continued to purchase high-level disinfectants, cleaners and consumables from us and provide product service to our customers) to our direct sales and service force at higher selling prices, (ii) higher selling prices, most of which relates to the direct sale of disinfectants, consumables and product service, which resulted in approximately $2,250,000 in incremental net sales in fiscal 2009 compared with fiscal 2008, and (iii) approximately $184,000 in incremental net sales in the first quarter of our fiscal 2009 due to the acquisition of Verimetrix during the first quarter of fiscal 2008. Partially offsetting these increases was a decrease in sales of endoscope reprocessing equipment in fiscal 2009 as a result of delayed spending on such investments due to the recent deterioration in the general economy and credit markets, which may continue to adversely affect future equipment sales.

Net sales of water purification and filtration products and services increased by 3.9% in fiscal 2009 compared with fiscal 2008, primarily due to (i) an increase in demand during fiscal 2009 for our sterilants and filters by pharmaceutical companies and within our installed equipment base of business, including one of our largest customers who standardized on our consumable products in their ordering system utilized by their dialysis clinics and (ii) higher selling prices, which offset increased manufacturing costs and favorably impacted net sales in fiscal 2009 by approximately $2,150,000. Partially offsetting these increases were delayed investments during fiscal 2009 by customers of our water purification equipment used for dialysis as well as for commercial and industrial (large capital) applications as a result of the deterioration in the general economy and credit markets, which may continue to adversely affect capital equipment sales, and an $880,000 decrease in sales due to the translation of Canadian dollar net sales using a weaker Canadian dollar against the United States dollar.

Net sales contributed by the Therapeutic Filtration operating segment were $9,523,000, an increase of 14.8%, in fiscal 2009 compared with fiscal 2008. The increase in sales was primarily due to increases in both international and domestic demand for our hemoconcentrator products (filtration devices used to concentrate red blood cells and remove excess fluid from the bloodstream during open-heart surgery) and hemofilter products (filtration devices that perform a slow, continuous blood filtration therapy used to control fluid overload and acute renal failure in unstable, critically ill patients who cannot tolerate the rapid filtration rates of conventional hemodialysis). Increases in selling prices of our therapeutic filtration products did not have a significant effect on net sales in fiscal 2009 compared with fiscal 2008.

Net sales of dialysis products and services decreased by 6.1% in fiscal 2009 compared with fiscal 2008, primarily due to (i) the continuing adverse impact of previously losing some dialysate concentrate business (a concentrated acid or bicarbonate used to prepare dialysate, a chemical solution that draws waste products from a patient's blood through a dialyzer membrane during hemodialysis treatment) from domestic customers as a result of the highly competitive and price sensitive market for this low margin commodity product, and (ii) a decrease in net sales of low margin dialysis reuse supplies. Due to sales price decreases by some of our competitors, we expect a continued decrease in net sales of our low margin dialysate concentrate product in fiscal 2010 as we elect not to pursue unprofitable concentrate sales. Furthermore, Fresenius Medical Care ("Fresenius"), the largest dialysis provider chain in the United States, manufactures dialysate concentrate themselves and has been gradually decreasing their purchases of that product from us and may continue to do so in fiscal 2010. Additionally, we cannot provide assurances that the level of concentrate sales to international customers will be sustained. Partially offsetting these decreases were higher selling prices, which favorably impacted net sales in fiscal 2009 by approximately $950,000, to partially offset higher manufacturing and shipping costs, including freight invoiced to customers (related costs of a similar amount are included within cost of sales).

Net sales contributed by the Specialty Packaging operating segment were $6,355,000 in fiscal 2009, a decrease of 7.0% compared with fiscal 2008. This decrease in sales was primarily due to decreased customer demand in the United States for our specialty packaging products due to changes in regulatory requirements, increased competition and a decrease in clinical trials by our customers primarily due to the deterioration in the general economy. Increases in selling prices of our specialty packaging products did not have a significant effect on net sales in fiscal 2009 compared with fiscal 2008.

Gross profit

Gross profit increased by $11,853,000, or 13.5%, to $99,479,000 in fiscal 2009 from $87,626,000 in fiscal 2008. Gross profit as a percentage of net sales in fiscals 2009 and 2008 was 38.3% and 35.1%, respectively.

The gross profit percentage in fiscal 2009 increased compared with fiscal 2008 primarily due to (i) favorable sales mix due to the increased sales volume of certain high margin products such as disinfectants and consumables in our Endoscope Reprocessing segment, face masks and sterilization accessories in our Healthcare Disposables segment, and sterilants and filters in our Water Purification and Filtration segment, as well as decreased sales of our low margin dialysate concentrate product in our Dialysis segment, (ii) higher selling prices including those attributable to our ability to gradually convert the sale of high-level disinfectants, cleaners, and consumables in our Endoscope Reprocessing segment from our former equipment distributor to our direct sales and service force at higher selling prices, (iii) a decrease in raw material and distribution costs in all our segments due to the lower price of fuel and oil, (iv) improved efficiencies in our manufacturing, distribution and service functions and (v) inefficiencies in our Water Purification and Filtration segment during the three months ended October 31, 2007 as a result of the integration of the acquired GE Water & Process Technologies' water dialysis business into our facilities. However, we cannot provide assurances that this gross profit percentage can be sustained, especially if raw materials and distribution costs increase and we are unable to implement price increases or we experience a significant change in sales mix away from higher margin products.

Operating expenses

Selling expenses increased by $1,762,000, or 6.2%, to $30,398,000 in fiscal 2009 from $28,636,000 in fiscal 2008, primarily due to (i) higher compensation expense relating to annual salary increases and incentive compensation in all of our reporting segments and additional sales personnel primarily in our Water Purification and Filtration and Healthcare Disposables segments and (ii) an increase of approximately $285,000 in advertising and marketing expense primarily related to our Healthcare Disposables segment. These increases were partially offset by a decrease of approximately $280,000 as a result of translating selling expenses of our international subsidiaries using a weaker Canadian dollar and euro against the United States dollar.

Selling expenses as a percentage of net sales were 11.7% in fiscal 2009 compared with 11.5% in fiscal 2008.

General and administrative expenses were $36,998,000 and $37,013,000 in fiscals 2009 and 2008, respectively. General and administrative expenses decreased principally due to (i) the prior year inclusion of approximately $720,000 in separation benefits and other costs related to the resignation of our former President and Chief Executive Officer on April 22, 2008, (ii) a decrease in overhead at our Netherlands operation due to the completion of restructuring activities, as more fully described elsewhere in this MD&A, (iii) a decrease of approximately $580,000 as a result of foreign exchange gains associated with translating certain foreign denominated assets into functional currencies and the translation of general and administrative expenses of our international subsidiaries using a significantly weaker Canadian dollar against the United States dollar, and (iv) a decrease of $522,000 in amortization expense of intangible assets. These decreases were offset by an increase in compensation expense primarily related to annual salary increases and incentive compensation in all of our locations and an increase of approximately $1,106,000 in stock-based compensation expense including a $703,000 charge in July 2009 to extend the life of certain "out-of-the-money" stock options previously awarded to certain executive officers, as more fully described elsewhere in this MD&A.

General and administrative expenses as a percentage of net sales were 14.2% in fiscal 2009 compared with 14.8% in fiscal 2008.

Research and development expenses (which include continuing engineering costs) were $4,632,000 and $4,010,000 in fiscals 2009 and 2008, respectively. The increase in research and development expenses in fiscal 2009, compared with fiscal 2008, is primarily due to increased development work on certain new products as well as continuing engineering on existing products primarily in our Water Purification and Filtration, Endoscope Reprocessing and Therapeutic Filtration segments.

Interest

Interest expense decreased by $1,992,000 to $2,639,000 in fiscal 2009, from $4,631,000 in fiscal 2008, primarily due to decreases in average outstanding borrowings and average interest rates, partially offset by a $148,000 charge relating to the ineffective portion of the change in fair value of an interest rate cap agreement, as more fully described elsewhere in this MD&A and Note 12 to the Consolidated Financial Statements.

Interest income decreased by $371,000 to $144,000 in fiscal 2009, from $515,000 in fiscal 2008, primarily due to a decrease in average interest rates.

Income before taxes

Income before income taxes increased by $11,105,000 to $24,956,000 in fiscal 2009 from $13,851,000 in fiscal 2008. The increase was primarily attributable to the improved gross profit percentage on increased sales as well as lower interest expense, as further explained above.

Income taxes

The consolidated effective tax rate was 37.6% and 37.2% in fiscals 2009 and 2008, respectively. The consolidated effective tax rate for fiscal 2009 was affected principally by the geographic mix of pre-tax income, repatriation of cash from our foreign subsidiaries and the impact of various tax rate changes, as described below.

The majority of our income before income taxes was generated from our United States operations, which had an overall effective tax rate of 38.6% and 34.4% in fiscals 2009 and 2008, respectively. The increase in our United States effective tax rate in fiscal 2009, compared with fiscal 2008, was due to an increase in our Federal tax rate to 35.0% and additional taxes relating to the repatriation of approximately $11,400,000 in earnings from our subsidiaries in Canada and the Netherlands, partially offset by recently enacted Federal tax legislation that enabled us to claim the research and experimentation tax credit as well as New York state tax rate reductions enacted in 2008, which primarily relate to our Healthcare Disposables segment. Such New York state tax rate reductions had a significant favorable effect on our fiscal 2008 effective tax rate in the year of enactment.

Approximately 5% of our fiscal 2009 income before income taxes was generated from our Canadian operations, which had an overall effective tax rate in fiscals 2009 and 2008 of 16.8% and 22.5%, respectively. Overall statutory tax rates in Canada are significantly below comparable rates in the United States. Additionally, the low overall effective tax rate in fiscal 2009 was attributable to the impact of a lower overall effective rate in our Specialty Packaging segment due to recently enacted rate reductions as applied to existing deferred income tax liabilities.

Due to the uncertainty of our Netherlands subsidiary utilizing tax benefits in the future, a tax benefit was not recorded on the losses from operations at our Netherlands subsidiary in fiscals 2009 and 2008, thereby adversely affecting our overall consolidated effective tax rate. The overall loss from our Netherlands operation in fiscal 2009 decreased compared with fiscal 2008 as a result of the restructuring of its operations, as more fully described elsewhere in this MD&A and Note 18 to the Consolidated Financial Statements.

The results of operations for our subsidiaries in Japan and Singapore did not have a significant impact on our overall effective tax rate in fiscals 2009 and 2008 due to the size of these operations relative to our United States, Canada and Netherlands operations. However, during fiscal 2008, we decided to place a full valuation allowance against the NOLs of our Japanese subsidiary, which resulted in the recording of tax expense on the past losses of our subsidiary in Japan.

We record liabilities for an unrecognized tax benefit when a tax benefit for an uncertain tax position is taken or expected to be taken on a tax return, but is not recognized in our Consolidated Financial Statements because it does not meet the more-likely-than-not recognition threshold that the uncertain tax position would be sustained upon examination by the applicable taxing authority. The majority of our unrecognized tax benefits originated from acquisitions. Accordingly, any adjustments upon resolution of income tax uncertainties that predate or result from acquisitions have been recorded as an increase or decrease to goodwill. On August 1, 2009, we adopted ASC 805, which requires the resolution of income tax uncertainties that predate or result from acquisitions to be recognized in our results of operations beginning with fiscal 2010. However, if our unrecognized tax benefits are recognized in our financial statements in future periods, there would not be a significant impact to our effective tax rate due to the size of the unrecognized tax benefits in relation to our income before income taxes. We do not expect such unrecognized tax benefits to significantly decrease or increase in the next twelve months.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits
Unrecognized tax benefits on August 1, 2007	$ 484,000
Lapse of statute of limitations	(57,000)
Unrecognized tax benefits on July 31, 2008	427,000
Lapse of statute of limitations	(47,000)
Unrecognized tax benefits on July 31, 2009	$ 380,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2003.

Our policy is to record potential interest and penalties related to income tax positions in interest expense and general and administrative expense, respectively, in our Consolidated Financial Statements. However, such amounts have been relatively insignificant due to the amount of our unrecognized tax benefits relating to uncertain tax positions.

Stock-Based Compensation

Stock-based compensation expense before income taxes was recorded in the Consolidated Financial Statements as stock-based compensation expense (which decreased both basic and diluted earnings per share by $0.12, $0.07 and $0.06 in fiscals 2009, 2008 and 2007, respectively) and an increase to additional paid-in capital. The related income tax benefits (which pertain only to stock awards and options that do not qualify as incentive stock options) were recorded as an increase to long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) or a reduction to income taxes payable, depending on the timing of the deduction, and a reduction to income tax expense.

On July 31, 2009, we extended the life of 456,001 fully vested "out-of-the-money" stock options previously awarded to certain executive officers (seven individuals in total) under our 1997 Employee Stock Option Plan. Such options were scheduled to expire within six months after July 31, 2009 and had exercise prices ranging from $17.14 to $22.93, which were greater than the closing price of $15.48 on July 31, 2009, the date the Compensation Committee of our Board of Directors authorized the modification. The sole modification was to extend the options' expiration dates to January 31, 2011. All other terms and conditions of the stock options remain the same. As a result of this modification, approximately $703,000 in

additional stock-based compensation expense was recorded in our Consolidated Financial Statements on July 31, 2009, which decreased both basic and diluted earnings per share by $0.03.

The stock-based compensation expense recorded in our Consolidated Financial Statements may not be representative of the effect of stock-based compensation expense in future periods due to the level of awards issued in past years (which level may not be similar in the future), assumptions used in determining fair value, expected lives and estimated forfeitures. We determine the fair value of each stock award using the closing market price of our Common Stock on the date of grant. We estimate the fair value of each option grant on the date of grant using the Black-Scholes option valuation model. The determination of fair value using an option-pricing model is affected by our stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the expected option life (which is determined by using the historical closing prices of our Common Stock), the expected dividend yield (which is expected to be 0%), and the expected option life (which is based on historical exercise behavior). If factors change and we employ different assumptions in the application of ASC 718 in future periods, the compensation expense that we would record under ASC 718 may differ significantly from what we have recorded in the current period.

All of our stock options and stock awards (which consist only of restricted shares) are subject to graded vesting in which portions of the award vest at different times during the vesting period, as opposed to awards that vest at the end of the vesting period. We recognize compensation expense for awards subject to graded vesting using the straight-line basis over the vesting period, reduced by estimated forfeitures. At July 31, 2009, total unrecognized stock-based compensation expense, net of tax, related to total nonvested stock options and stock awards which are expected to vest was $2,157,000 with a remaining weighted average period of 20 months over which such expense is expected to be recognized.

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its income tax return. Accordingly, we account for the income tax effect on such income tax deductions as additional paid-in capital and as a reduction of income taxes payable. In fiscals 2009 and 2008, options exercised and the vesting of restricted stock resulted in income tax deductions that reduced income taxes payable by $745,000 and $895,000, respectively.

We classify the cash flows resulting from excess tax benefits as financing cash flows on our Consolidated Statements of Cash Flows. Excess tax benefits arise when the ultimate tax effect of the deduction for tax purposes is greater than the tax benefit on stock compensation expense (including tax benefits on stock compensation expense that has only been reflected in past pro forma disclosures relating to fiscal years prior to August 1, 2005) which was determined based upon the award's fair value.

Liquidity and Capital Resources

Working capital

At July 31, 2010, our working capital was $53,747,000, compared with $49,797,000 at July 31, 2009.

Cash flows from operating activities

Net cash provided by operating activities was $29,033,000, $30,992,000 and $18,557,000 for fiscals 2010, 2009 and 2008, respectively. In fiscal 2010, the net cash provided by operating activities was primarily due to net income (after adjusting for depreciation, amortization, stock-based compensation expense and deferred income taxes) and increases in accounts payable, deferred revenue and accrued expenses (due to an increase in customer deposits relating to capital equipment sales in our Water Purification and Filtration segment) and income taxes payable (due to timing of payments), partially offset by increases in inventories (due to planned strategic increases in stock levels of certain products primarily in our Healthcare Disposables and Endoscope Reprocessing segments) and accounts receivable (due to strong July sales in our Endoscope Reprocessing segment).

In fiscal 2009, net cash provided by operating activities was primarily due to net income (after adjusting for depreciation, amortization, stock-based compensation expense and deferred income taxes) and a decrease in inventories (due to strong July sales in our Healthcare Disposables and Endoscope Reprocessing segments as well as a decrease in the cost of certain raw materials), partially offset by an increase in prepaid expenses and other current assets (due to an increase in prepaid commissions relating to service contracts in our Endoscope Reprocessing segment, as well as the timing of certain insurance premium payments).

In fiscal 2008, net cash provided by operating activities was primarily due to net income (after adjusting for depreciation, amortization, stock-based compensation expense and deferred income taxes), a decrease in accounts receivable (due to improved collections) and an increase in income taxes payable (due to timing associated with payments), partially offset by increases in inventories (due to planned increases in stock levels of certain products primarily in our Endoscope Reprocessing and Healthcare Disposables segments) and prepaid expenses (due to the prepayment of certain operating expenses primarily relating to commissions).

Cash flows from investing activities

Net cash used in investing activities was $8,240,000, $11,450,000 and $18,466,000 in fiscals 2010, 2009 and 2008, respectively. In fiscal 2010, net cash used in investing activities was primarily for capital expenditures and the acquisition of Purity. In fiscal 2009, net cash used in investing activities was primarily for the acquisition of G.E.M, a payment for an acquisition earnout to the former owners of Crosstex and capital expenditures, partially offset by proceeds from the disposal of our building in the Netherlands. In fiscal 2008, net cash used in investing activities was primarily for the acquisitions of DSI, Verimetrix and Strong Dental, a payment for an acquisition earnout to the former owners of Crosstex and capital expenditures.

Cash flows from financing activities

Net cash used in financing activities was $21,846,000 and $13,820,000 in fiscals 2010 and 2009, respectively, compared with net cash provided by financing activities of $1,882,000 in fiscal 2008. In fiscal 2010, net cash used in financing activities was primarily attributable to repayments under our credit facilities and the payment of dividends to our shareholders, partially offset by proceeds from the exercises of stock options. In fiscal 2009, net cash used in financing activities was primarily attributable to repayments under our credit facilities, partially offset by a borrowing under our revolving credit facility and proceeds from the exercises of stock options. In fiscal 2008, net cash provided by financing activities was primarily attributable to borrowings under our revolving credit facility primarily related to the acquisitions of DSI, Verimetrix and Strong Dental and proceeds from the exercises of stock options, partially offset by repayments under our credit facilities.

Dividends

In December 2009, we announced that we intend to pay, for the first time, semiannual cash dividends of $0.05 per outstanding share, or $0.10 per share annually, of the Company's Common Stock. The first cash dividend of $0.05 per share of outstanding Common Stock, which totaled $840,000, was paid on January 29, 2010 to shareholders of record at the close of business on January 15, 2010. The second cash dividend of $0.05 per share of outstanding Common Stock, which totaled $843,000, was paid on July 30, 2010 to shareholders of record at the close of business on July 15, 2010. Future declaration of dividends and the establishment of future record and payment dates are subject to the final determination of the Company's Board of Directors.

Restructuring activities

During the fourth quarter of fiscal 2008, our management approved and initiated plans to restructure our Netherlands subsidiary by relocating all of our manufacturing operations from the Netherlands to the United States. This action is part of our continuing effort to reduce operating costs and improve efficiencies by leveraging the existing infrastructure of our Minntech operations in Minnesota. The elimination of manufacturing operations in the Netherlands has led to the end of onsite material management, quality assurance, finance and accounting, human resources and some customer service functions. However, we continue to maintain a strong marketing, sales, service and technical support presence based in the Netherlands to serve customers throughout Europe, the Middle East and Africa.

In fiscals 2009 and 2008, we recorded $345,000 and $365,000, respectively, in restructuring costs, which decreased both basic and diluted earnings per share by approximately $0.02 in both years. In fiscal 2009, $163,000 was recorded in cost of sales and $182,000 was recorded in general and administrative expenses. In fiscal 2008, $275,000 was recorded in cost of sales and $90,000 was recorded in general and administrative expenses. The restructuring plan was completed by July 31, 2009 and we have not incurred any additional restructuring costs since that date. The majority of the restructuring costs were included in our Endoscope Reprocessing segment. Since the above costs were recorded in our Netherlands subsidiary, which had been experiencing losses from its operations, tax benefits on the above costs were not recorded.

As part of the restructuring plan, we sold our Netherlands building and land on May 19, 2009 and entered into a lease for 2.5 years with the new owner so we can continue to use the facility as our European sales and service headquarters as well as for warehouse and distribution activity. The sale of the building and land resulted in a gain of $146,000, which is

being amortized over the life of the lease and is recorded in deferred revenue and other long-term liabilities. The rent for the full 2.5 year lease of $325,000 was paid from the sale proceeds and recorded in prepaid expenses and other assets.

Long-term contractual obligations

As of July 31, 2010, aggregate annual required payments over the next five years and thereafter under our contractual obligations that have long-term components are as follows:

	Year Ended July 31, (Amounts in thousands)						
	2011	2012	2013	2014	2015	Thereafter	Total
Maturities of the credit facilities (1)	$ 10,000	$ 11,000	$ -	$ -	$ -	$ -	$ 21,000
Expected interest payments under the credit facilities (2)	340	1	-	-	-	-	341
Minimum commitments under noncancelable operating leases	3,181	2,375	1,705	1,370	1,005	5,574	15,210
Minimum commitments under noncancelable capital leases	14	-	-	-	-	-	14
Deferred compensation and other	406	264	38	33	34	132	907
Employment agreements	3,073	356	-	-	-	-	3,429
Total contractual obligations	$ 17,014	$ 13,996	$ 1,743	$ 1,403	$ 1,039	$ 5,706	$ 40,901

(1) As of July 31, 2010, annual required payments during the year ending July 31, 2012 represent the outstanding balance on the revolving credit facility since the May 28, 2010 amendment to our revolving credit facility extended the expiration date from August 1, 2010 to August 1, 2011. In September 2010, we repaid $6,000,000 under the revolving credit facility and $2,500,000 under our term loan facility reducing our total outstanding borrowings to $12,500,000 at the end of September. In October, we borrowed $20,500,000 under our revolving credit facility to fund a portion of the purchase price of the Gambro Acquisition thereby increasing total outstanding borrowings to $33,000,000. The remaining purchase price of $3,100,000 is payable in six equal quarterly payments ending April 2012.

(2) The expected interest payments under the term and revolving credit facilities reflect interest rates of 2.37% and 1.93%, respectively, which were our interest rates on outstanding borrowings at July 31, 2010.

Credit facilities

In conjunction with the acquisition of Crosstex, we entered into amended and restated credit facilities dated as of August 1, 2005 (the "U.S. Credit Facilities") with a consortium of lenders to fund the cash consideration paid in the acquisition and costs associated with the acquisition, as well as to modify our existing United States credit facilities. The U.S. Credit Facilities, as amended, include (i) a six-year $40.0 million senior secured amortizing term loan facility expiring August 1, 2011 and (ii) a five-year $50.0 million senior secured revolving credit facility that was scheduled to expire on August 1, 2010. Amounts we repay under the term loan facility may not be re-borrowed. On May 28, 2010, we amended the U.S. Credit Facilities, which amendment included the extension of the termination date for the revolving credit facility to August 1, 2011. Debt issuance costs relating to the U.S. Credit Facilities were recorded in other assets and are being amortized over the life of the credit facilities. Such unamortized debt issuance costs amounted to approximately $297,000 at July 31, 2010.

At September 17, 2010, borrowings under the U.S. Credit Facilities bear interest at rates ranging from 0.50% to 1.50% above the lender's base rate, or at rates ranging from 1.50% to 2.50% above the London Interbank Offered Rate ("LIBOR"), depending upon our consolidated ratio of debt to earnings before interest, taxes, depreciation and amortization, and as further adjusted under the terms of the U.S. Credit Facilities ("EBITDA"). At September 17, 2010, the lender's base rate was 3.25% and the LIBOR rates applicable to our outstanding borrowings ranged from 0.53% to 1.21%. The margins applicable to our outstanding borrowings at September 17, 2010 were 0.50% above the lender's base rate and 1.50% above LIBOR. The majority of our outstanding borrowings were under LIBOR contracts at September 17, 2010. The U.S. Credit Facilities also provide for fees on the unused portion of our facilities at rates ranging from 0.20% to 0.40%, depending upon our consolidated ratio of debt to EBITDA; such rate was 0.20% at September 17, 2010.

The U.S. Credit Facilities require us to meet certain financial covenants and are secured by (i) substantially all of our U.S.-based assets (including assets of Cantel, Minntech, Mar Cor, Crosstex and Strong Dental) and (ii) our pledge of all of the outstanding shares of Minntech, Mar Cor, Crosstex and Strong Dental and 65% of the outstanding shares of our foreign-based subsidiaries. Additionally, we are not permitted to pay cash dividends on our Common Stock in excess of $3,000,000 without the consent of our United States lenders. As of July 31, 2010, we were in compliance with all financial and other covenants under the U.S. Credit Facilities.

On July 31, 2010, we had $21,000,000 of outstanding borrowings under the U.S. Credit Facilities, which consisted of $10,000,000 and $11,000,000 under the term loan facility and the revolving credit facility, respectively. In September 2010, we repaid $6,000,000 under the revolving credit facility and $2,500,000 under our term loan facility reducing our total outstanding borrowings to $12,500,000 at the end of September. In October, we borrowed $20,500,000 under our revolving credit facility to fund a portion of the purchase price of the Gambro Acquisition.

The U.S. Credit Facilities have a termination date of August 1, 2011. Although we may repay a portion of our outstanding borrowings throughout fiscal 2011, we do not presently anticipate paying off the revolving credit facility in full by its termination date. We are in discussions with our bank syndicate regarding modifications to such facility and expect to formally modify the facility before the expiration date. However, since any modification will not be completed until later in fiscal 2011, we will be required to reclassify the entire outstanding balance of the revolver from long-term to current in periods subsequent to July 31, 2010.

Operating leases

Minimum commitments under operating leases include minimum rental commitments for our leased manufacturing facilities, warehouses, office space and equipment.

Rent expense related to operating leases for fiscal 2010 was recorded on a straight-line basis and aggregated $3,875,000, compared with $3,679,000 and $3,466,000 for fiscals 2009 and 2008, respectively.

Deferred compensation

Included in other long-term liabilities are deferred compensation arrangements for certain former Minntech directors and officers.

Employment agreements

We have previously entered into various employment agreements with executives of the Company, including our Corporate executive officers and our subsidiary Chief Executive Officers. The majority of such contracts expired and were replaced effective January 1, 2010 with severance contracts that defined certain compensation arrangements relating to various employment termination scenarios.

Convertible note receivable

In February 2009, we invested an initial $200,000 in a senior subordinated convertible promissory note issued by BIOSAFE, Inc. ("BIOSAFE"), in connection with BIOSAFE's grant to us of certain exclusive and non-exclusive license rights to BIOSAFE's antimicrobial additive. BIOSAFE is the owner of a patented and proprietary antimicrobial agent that is built into the manufacturing of end-products to achieve long-lasting microbial protection on such end-products' surface. As a result of BIOSAFE's successful raising of a minimum incremental amount of cash following our investment, we invested an additional $300,000 in notes of BIOSAFE in January 2010 bringing the aggregate investment in BIOSAFE notes to $500,000, as obligated under our agreement with BIOSAFE. We are not obligated to invest any additional funds.

The notes are convertible into a newly-created series of preferred stock of BIOSAFE. Interest is payable in shares of BIOSAFE stock or in cash. The notes accrue interest at a per annum rate of 8% until the maturity date of June 30, 2011 or earlier exercise. If not paid by the maturity date, interest will accrue thereafter at a rate of 12% per annum. In connection with our investment, we entered into a license agreement with BIOSAFE under which we will pay BIOSAFE a fixed royalty percentage of sales of our products containing BIOSAFE's antimicrobial formulation. This investment, together with the accrued interest, is included within other assets in our Consolidated Balance Sheets at July 31, 2010 and 2009. The carrying value of this investment approximates fair value due to the short maturity of the notes and the relative consistent underlying value of BIOSAFE.

Financing needs

Although most of our operating segments generate significant cash from operations, our Healthcare Disposables, Dialysis, Water Purification and Filtration and Endoscope Reprocessing segments are the largest generators of cash. At July 31, 2010, we had a cash balance of $22,612,000, of which $8,692,000 was held by foreign subsidiaries. On September 28, 2010, we repatriated $5,500,000 in earnings from one of the foreign subsidiaries thereby reducing their cash balance.

We believe that our current cash position, anticipated cash flows from operations and the funds available under our revolving credit facility will be sufficient to satisfy our cash operating requirements for the foreseeable future based upon our existing operations, particularly given that we historically have not needed to borrow for working capital purposes. At October 14, 2010, $24,500,000 was available under our United States revolving credit facility, which expires on August 1, 2011.

Under the terms of our credit facilities we are limited to the amount of aggregate purchase price we pay for acquisitions during the duration of the credit agreement without obtaining prior bank approval. As a result of the May 28, 2010 amendment to our U.S. Credit Facilities, the aggregate purchase price permitted for future acquisitions without obtaining prior bank approval was reset to $50,000,000, of which $2,014,000 and $23,750,000 was used for the acquisitions of Purity and Gambro Water, respectively.

Foreign currency

In fiscal 2010, compared with fiscal 2009, the average value of the Canadian dollar increased by approximately 10.3% relative to the value of the United States dollar. Additionally, at July 31, 2010 compared with July 31, 2009, the value of the Canadian dollar relative to the value of the United States dollar increased by approximately 4.7%. The financial statements of our Canadian subsidiaries are translated using the accounting policies described in Note 2 of the Consolidated Financial Statements and therefore are impacted by changes in the Canadian dollar exchange rate. Additionally, changes in the value of the Canadian dollar against the United States dollar affected our results of operations because a portion of our Canadian subsidiaries' inventories and operating costs (which are reported in the Water Purification and Filtration and Specialty Packaging segments) are purchased in the United States and a significant amount of their sales are to customers in the United States.

In fiscal 2010, compared with fiscal 2009 the average value of the euro increased by approximately 1.7% relative to the value of the United States dollar. Additionally, at July 31, 2010 compared with July 31, 2009, the value of the euro relative to the United States dollar decreased by approximately 7.2%. The financial statements of our Netherlands subsidiary are translated using the accounting policies described in Note 2 of the Consolidated Financial Statements and therefore are impacted by changes in the euro exchange rate relative to the United States dollar. Additionally, changes in the value of the euro against the United States dollar affect our results of operations because a portion of the net assets of our Netherlands subsidiary (which are reported in our Dialysis, Endoscope Reprocessing and Water Purification and Filtration segments) are denominated and ultimately settled in United States dollars but must be converted into its functional euro currency. Furthermore, as part of the restructuring of our Netherlands subsidiary, as described in Note 18 to the Consolidated Financials and elsewhere in this MD&A, certain cash bank accounts, accounts receivable and liabilities of our United States subsidiaries, Minntech and Mar Cor, are now denominated and ultimately settled in euros or British pounds but must be converted into our functional United States currency.

In order to hedge against the impact of fluctuations in the value of (i) the Canadian dollar relative to the United States dollar, (ii) the euro relative to the United States dollar and (iii) the British pound relative to the United States dollar on the conversion of such net assets into the functional currencies, we enter into short-term contracts to purchase Canadian dollars, euros and British pounds forward, which contracts are generally one month in duration. These short-term contracts are designated as fair value hedges. There were three foreign currency forward contracts with an aggregate value of $3,281,000 at September 17, 2010, which cover certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on September 30, 2010. These foreign currency forward contracts are continually replaced with new one-month contracts as long as we have significant net assets at our subsidiaries that are denominated and ultimately settled in currencies other than their functional currencies. Under our credit facilities, such contracts to purchase Canadian dollars, euros and British pounds may not exceed $12,000,000 in an aggregate notional amount at any time. In accordance with ASC 815, *"Derivatives and Hedging"* ("ASC 815"), such foreign currency forward contracts are designated as hedges. Gains and losses related to these hedging contracts to buy Canadian dollars, euros and British pounds forward are immediately realized within general and administrative expenses due to the short-term nature of such contracts. In fiscal 2010, such forward contracts partially offset the impact on operations related to certain assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies.

Changes in the value of the Japanese yen relative to the United States dollar in fiscal 2010, compared with fiscal 2009, did not have a significant impact upon either our results of operations or the translation of our balance sheet, primarily due to the fact that our Japanese subsidiary accounts for a relatively small portion of consolidated net sales, net income and net assets.

Overall, fluctuations in the rates of currency exchange had an adverse impact in fiscal 2010, compared with fiscal 2009, upon our net income of approximately $258,000 primarily due to the increase in the value of the Canadian dollar relative to the United States dollar.

For purposes of translating the balance sheet at July 31, 2010 compared with July 31, 2009, the total of the foreign currency movements resulted in a foreign currency translation gain of $1,067,000 in fiscal 2010, but was reduced to an overall loss of $236,000 due to a tax adjustment relating to foreign repatriations, thereby decreasing stockholders' equity.

Inflation

In fiscal 2010, inflation did not have a significant impact on our operations. However, our businesses can be adversely impacted by rising fuel and oil prices and are heavily reliant on certain raw materials, such as chemicals, paper pulp, resin, stainless steel and plastic components. From time to time, we experience price increases for raw materials. If we are unable to implement price increases to our customers, our gross margins could be adversely affected.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we continually evaluate our estimates. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

Revenue on product sales is recognized as products are shipped to customers and title passes. The passing of title is determined based upon the FOB terms specified for each shipment. With respect to dialysis, therapeutic, specialty packaging, chemistries and endoscope reprocessing products, shipment terms are generally FOB origin for common carrier and FOB destination when our distribution fleet is utilized (except for one large customer in dialysis whereby all products are shipped FOB destination). With respect to water purification and filtration and healthcare disposable products, shipment terms may be either FOB origin or destination. Customer acceptance for the majority of our product sales occurs at the time of delivery. In certain instances, primarily with respect to some of our water purification and filtration equipment, endoscope reprocessing equipment and an insignificant amount of our sales of dialysis equipment, post-delivery obligations such as installation, in-servicing or training are contractually specified; in such instances, revenue recognition is deferred until all of such conditions have been substantially fulfilled such that the products are deemed functional by the end-user. With respect to a portion of water purification and filtration product sales, equipment is sold as part of a system for which the equipment is functionally interdependent or the customer's purchase order specifies "ship-complete" as a condition of delivery; revenue recognition on such sales is deferred until all equipment has been delivered.

A portion of our water purification and filtration and endoscope reprocessing sales are recognized as multiple element arrangements, whereby revenue is allocated to the equipment, installation and service components based upon vendor specific objective evidence, which includes comparable historical transactions of similar equipment and installation sold as stand alone components.

Revenue on service sales is recognized when repairs are completed at the customer's location or when repairs are completed at our facilities and the products are shipped to customers. With respect to certain service contracts in our Endoscope Reprocessing and Water Purification and Filtration operating segments, service revenue is recognized on a

straight-line basis over the contractual term of the arrangement. All shipping and handling fees invoiced to customers, such as freight, are recorded as revenue (and related costs are included within cost of sales) at the time the sale is recognized.

None of our sales contain right-of-return provisions. Customer claims for credit or return due to damage, defect, shortage or other reason must be pre-approved by us before credit is issued or such product is accepted for return. No cash discounts for early payment are offered except with respect to a small portion of our sales of dialysis, healthcare disposable and water purification and filtration products and certain prepaid packaging products. We do not offer price protection, although advance pricing contracts or required notice periods prior to implementation of price increases exist for certain customers with respect to many of our products. With respect to certain of our dialysis, dental, water purification and filtration and endoscope reprocessing customers, volume rebates are provided; such volume rebates are provided for as a reduction of sales at the time of revenue recognition and amounted to $2,909,000, $2,461,000 and $1,757,000 in fiscals 2010, 2009 and 2008, respectively. The increase in volume rebates in fiscal 2010 compared with fiscal 2009 is primarily due to increased sales volume primarily in our Healthcare Disposables and Endoscope Reprocessing segments. The increase in volume rebates in fiscal 2009 compared with fiscal 2008 is primarily due to new terms in a renewed rebate arrangement with a major dental distributor in our Healthcare Disposables segment. Such allowances are determined based on estimated projections of sales volume for the entire rebate periods. If it becomes known that sales volume to customers will deviate from original projections, the volume rebate provisions originally established would be adjusted accordingly.

The majority of our dialysis products are sold to end-users; the majority of therapeutic filtration products and healthcare disposable products are sold to third party distributors; water purification and filtration products and services are sold directly and through third-party distributors to hospitals, dialysis clinics, pharmaceutical and biotechnology companies and other end-users; our endoscope reprocessing products and services are sold primarily to distributors internationally and directly to hospitals and other end-users in the United States; specialty packaging products are sold to third-party distributors, medical research companies, laboratories, pharmaceutical companies, hospitals, government agencies and other end-users; and chemistries products and services are sold to medical products and service companies, laboratories, pharmaceutical companies, hospitals and other end-users. Sales to all of these customers follow our revenue recognition policies.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due to us from normal business activities. Allowances for doubtful accounts are reserves for the estimated loss from the inability of customers to make required payments. We use historical experience as well as current market information in determining the estimate. While actual losses have historically been within management's expectations and provisions established, 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. Alternatively, if certain customers paid their delinquent receivables, reductions in allowances may be required.

Inventories

Inventories consist of raw materials, work-in-process and finished products which are sold in the ordinary course of our business and are stated at the lower of cost (first-in, first-out) or market. In assessing the value of inventories, we must make estimates and judgments regarding reserves required for product obsolescence, aging of inventories and other issues potentially affecting the saleable condition of products. In performing such evaluations, we use historical experience as well as current market information. With few exceptions, the saleable value of our inventories has historically been within management's expectation and provisions established, however, rapid changes in the market due to competition, technology and various other factors could have an adverse effect on the saleable value of our inventories, resulting in the need for additional reserves.

Goodwill and Intangible Assets

Certain of our identifiable intangible assets, including customer relationships, technology, brand names, non-compete agreements and patents, are amortized using the straight-line method over their estimated useful lives which range from 3 to 20 years. Additionally, we have recorded goodwill and trademarks and trade names, all of which have indefinite useful lives and are therefore not amortized. All of our intangible assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and goodwill and intangible assets with indefinite lives are reviewed for impairment at least annually. Our management is primarily responsible for determining if impairment exists and considers a number of factors, including third-party valuations, when making these determinations. In performing a review for goodwill impairment, management uses a two-step process that begins with an estimation of the fair value of the related operating segments by using average fair value results of the market multiple and

discounted cash flow methodologies, as well as the comparable transaction methodology when applicable. The first step is a review for potential impairment, and the second step measures the amount of impairment, if any. In performing our annual review for indefinite lived intangibles, management compares the current fair value of such assets to their carrying values. With respect to amortizable intangible assets when impairment indicators are present, management would determine whether expected future non-discounted cash flows would be sufficient to recover the carrying value of the assets; if not, the carrying value of the assets would be adjusted to their fair value. On July 31, 2010, management concluded that none of our intangible assets or goodwill was impaired.

While the results of these annual reviews have historically not indicated impairment, impairment reviews are highly dependent on management's projections of our future operating results and cash flows (which management believes to be reasonable), discount rates based on the Company's weighted-average cost of capital and appropriate benchmark peer companies. Assumptions used in determining future operating results and cash flows include current and expected market conditions and future sales forecasts. Subsequent changes in these assumptions and estimates could result in future impairment. Although we consistently use the same methods in developing the assumptions and estimates underlying the fair value calculations, such estimates are uncertain by nature and can vary from actual results. At July 31, 2010, the average fair value of all of our reporting units exceeded book value by substantial amounts, except our Specialty Packaging segment, which had an average fair value that exceeded book value by approximately 16%.

Long-Lived Assets

We evaluate the carrying value of long-lived assets including property, equipment and other assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An assessment is made to determine if the sum of the expected future non-discounted cash flows from the use of the assets and eventual disposition is less than the carrying value. If the sum of the expected non-discounted cash flows is less than the carrying value, an impairment loss is recognized based on fair value. With few exceptions, our historical assessments of our long-lived assets have not differed significantly from the actual amounts realized. However, the determination of fair value requires us to make certain assumptions and estimates and is highly subjective, and accordingly, actual amounts realized may differ significantly from our estimates.

Warranties

We provide for estimated costs that may be incurred to remedy deficiencies of quality or performance of our products at the time of revenue recognition. Most of our products have a one year warranty, although a majority of our endoscope reprocessing equipment in the United States carries a warranty period of up to fifteen months. We record provisions for product warranties as a component of cost of sales based upon an estimate of the amounts necessary to settle existing and future claims on products sold. The historical relationship of warranty costs to products sold is the primary basis for the estimate. A significant increase in third party service repair rates, the cost and availability of parts or the frequency of claims could have a material adverse impact on our results for the period or periods in which such claims or additional costs materialize. Management reviews its warranty exposure periodically and believes that the warranty reserves are adequate; however, actual claims incurred could differ from original estimates, requiring adjustments to the reserves.

Stock-Based Compensation

For fiscal 2005 and earlier periods, we accounted for stock options using the intrinsic value method under which stock compensation expense was not recognized because we granted stock options with exercise prices equal to the market value of the shares at the date of grant. Beginning August 1, 2005, we accounted for stock options under ASC 718 using the modified prospective method for the transition. Under the modified prospective method, stock compensation expense is recognized for any option grant or stock award granted on or after August 1, 2005, as well as the unvested portion of stock options granted prior to August 1, 2005, based upon the award's fair value.

Most of our stock options and stock awards (which consist only of restricted stock) are subject to graded vesting in which portions of the award vest at different times during the vesting period, as opposed to awards that vest at the end of the vesting period. We recognize compensation expense for awards subject to graded vesting using the straight-line basis, reduced by estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

The stock-based compensation expense recorded in our Consolidated Financial Statements may not be representative of the effect of stock-based compensation expense in future periods due to the level of awards issued in past

years (which level may not be similar in the future), modifications to existing awards and assumptions used in determining fair value, expected lives and estimated forfeitures. We determine the fair value of each stock award using the closing market price of our Common Stock on the date of grant. We estimate the fair value of each option grant on the date of grant using the Black-Scholes option valuation model. The determination of fair value using an option-pricing model is affected by our stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the expected option life (which is determined by using the historical closing prices of our Common Stock), the expected dividend yield (which historically has been 0% and is now approximately 0.6% as we began paying dividends in January 2010), and the expected option life (which is based on historical exercise behavior). If factors change and we employ different assumptions in future periods, the compensation expense that we would record may differ significantly from what we have recorded in the current period.

Legal Proceedings

In the normal course of business, we are subject to pending and threatened legal actions. It is our policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount of anticipated exposure can be reasonably estimated. We do not believe that any of these pending claims or legal actions will have a material adverse effect on our business, financial condition, results of operations or cash flows.

Income Taxes

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities also include items recorded in conjunction with the purchase accounting for business acquisitions. We regularly review our deferred tax assets for recoverability and establish a valuation allowance, if necessary, based on historical taxable income, projected future taxable income, and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets, as adjusted for valuation allowances, will be realized. Additionally, deferred tax liabilities are regularly reviewed to confirm that such amounts are appropriately stated. A review of our deferred tax items considers known future changes in various effective tax rates, principally in the United States. If the effective tax rate were to change in the future, particularly in the United States and to a lesser extent Canada, our items of deferred tax could be materially affected. All of such evaluations require significant management judgments.

We record liabilities for an unrecognized tax benefit when a tax benefit for an uncertain tax position is taken or expected to be taken on a tax return, but is not recognized in our Consolidated Financial Statements because it does not meet the more-likely-than-not recognition threshold that the uncertain tax position would be sustained upon examination by the applicable taxing authority. The majority of such unrecognized tax benefits originated from acquisitions and are based primarily upon management's assessment of exposure associated with acquired companies. Previously, any adjustments upon resolution of income tax uncertainties that predate or result from acquisitions were recorded as an increase or decrease to goodwill. On August 1, 2009, we adopted ASC 805, which requires the resolution of income tax uncertainties that predate or result from acquisitions to be recognized in our results of operations beginning with fiscal 2010. Unrecognized tax benefits are analyzed periodically and adjustments are made as events occur to warrant adjustment to the related liability.

Business Combinations

Acquisitions require significant estimates and judgments related to the fair value of assets acquired and liabilities assumed.

Certain liabilities and reserves are subjective in nature. We reflect such liabilities and reserves based upon the most recent information available. In conjunction with our acquisitions, such subjective liabilities and reserves principally include certain income tax and sales and use tax exposures, including tax liabilities related to our foreign subsidiaries, as well as reserves for accounts receivable, inventories and warranties. The ultimate settlement of such liabilities may be for amounts which are different from the amounts recorded.

Costs Associated with Exit or Disposal Activities

We recognize costs associated with exit or disposal activities, such as costs to terminate a contract, the exit or disposal of a business, or the early termination of a leased property, by recognizing the liability at fair value when incurred, except for certain one-time termination benefits, such as severance costs, for which the period of recognition begins when a severance plan is communicated to employees.

Inherent in the calculation of liabilities relating to exit and disposal activities are significant management judgments and estimates, including estimates of termination costs, employee attrition and the interest rate used to discount certain expected net cash payments. Such judgments and estimates are reviewed by us on a regular basis. The cumulative effect of a change to a liability resulting from a revision to either timing or the amount of estimated cash flows is recognized by us as an adjustment to the liability in the period of the change.

Although we have historically recorded minimal charges associated with exit or disposal activities, we recorded charges associated with exit or disposal activities in fiscals 2009 and 2008 relating to our restructuring plan for our Netherlands manufacturing operations, as further described in our MD&A and Note 18 to the Consolidated Financial Statements.

Other Matters

We do not have any off balance sheet financial arrangements, other than future commitments under operating leases and employment and license agreements.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Currency and Market Risk

A portion of our products in all of our business segments are exported to and imported from a variety of geographic locations, and our business could be materially and adversely affected by the imposition of trade barriers, fluctuations in the rates of exchange of various currencies, tariff increases and import and export restrictions, affecting all of such geographies including but not limited to the United States, Canada, the European Union, the United Kingdom and the Far East.

A portion of our Canadian subsidiaries' inventories and operating costs (which are reported in the Water Purification and Filtration and Specialty Packaging segments) are purchased in the United States and a significant amount of their sales are to customers in the United States. The businesses of our Canadian subsidiaries could be materially and adversely affected by the imposition of trade barriers, fluctuations in the rate of currency exchange, tariff increases and import and export restrictions between the United States and Canada. Changes in the value of the Canadian dollar against the United States dollar also affect our results of operations because certain net assets of our Canadian subsidiaries are denominated and ultimately settled in United States dollars but must be converted into their functional currency. Additionally, the financial statements of our Canadian subsidiaries are translated using the accounting policies described in Note 2 to the Consolidated Financial Statements. Fluctuations in the rates of currency exchange between the United States dollar and the Canadian dollar had an overall adverse impact in fiscal 2010, compared with fiscal 2009, upon our net income and stockholders' equity, as described in our MD&A.

Changes in the value of the euro against the United States dollar affect our results of operations because a portion of the net assets of our Netherlands subsidiary (which are reported in our Dialysis and Endoscope Reprocessing segments) are denominated and ultimately settled in United States dollars but must be converted into its functional euro currency. Furthermore, as part of the restructuring of our Netherlands subsidiary, as described in Note 18 to the Consolidated Financials and elsewhere in this MD&A, certain cash bank accounts, accounts receivable and liabilities of our United States subsidiaries, Minntech and Mar Cor, are now denominated and ultimately settled in euros or British pounds but must be converted into our functional United States currency. Additionally, the financial statements of our Netherlands subsidiary are translated using the accounting policies described in Note 2 to the Consolidated Financial Statements. Fluctuations in the rates of currency exchange between the United States dollar and the euro or British pound did not have a significant overall impact in fiscal 2010, compared with fiscal 2009, upon our net income and stockholders' equity.

In order to hedge against the impact of fluctuations in the value of (i) the Canadian dollar relative to the United States dollar, (ii) the euro relative to the United States dollar and (iii) the British pound relative to the United States dollar on the conversion of such net assets into functional currencies, we enter into short-term contracts to purchase Canadian dollars, euros and British pounds forward, which contracts are generally one month in duration. These short-term contracts are designated as fair value hedges. There were three foreign currency forward contracts with an aggregate value of $4,254,000 at July 31, 2010, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on August 31, 2010. These foreign currency forward contracts are continually replaced with new one-month contracts as long as we have significant net assets at our subsidiaries that are denominated and ultimately settled in currencies other than their functional currencies. Under our credit facilities, such contracts to purchase Canadian dollars, euros and British pounds may not exceed $12,000,000 in an aggregate notional amount at any time. In

fiscal 2010, such forward contracts partially offset the impact on operations related to certain assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies.

The functional currency of Minntech's Japan subsidiary is the Japanese yen. Changes in the value of the Japanese yen relative to the United States dollar in fiscal 2010, compared with fiscal 2009, did not have a significant impact upon either our results of operations or the translation of the balance sheet, primarily due to the fact that our Japanese subsidiary accounts for a relatively small portion of consolidated net sales, net income and net assets.

Overall, fluctuations in the rates of currency exchange had an adverse impact on our net income in fiscal 2010, compared with fiscal 2009, primarily due to the increase in the value of the Canadian dollar relative to the United States dollar, and a favorable impact upon stockholders' equity, as described in our MD&A.

Interest Rate Market Risk

We have a United States credit facility for which the interest rate on outstanding borrowings is variable. Substantially all of our outstanding borrowings are under LIBOR contracts. Therefore, interest expense is affected by the general level of interest rates in the United States as well as LIBOR interest rates.

Additionally, we amended our U.S. Credit facilities on May 28, 2010. Due to current market conditions, the modification of our credit facilities resulted in an increase of our margins above the lender's base rate and LIBOR, which would adversely affect our results of operations in the future if levels of outstanding borrowings increase significantly.

Market Risk Sensitive Transactions

We are exposed to market risks arising principally from adverse changes in interest rates and foreign currency.

With respect to interest rate risk, our outstanding debt is under our United States credit facilities, described elsewhere in Liquidity and Capital Resources. Such credit facilities consist of outstanding debt with fixed repayment amounts at prevailing market rates of interest, principally under LIBOR contracts ranging from one to twelve months. Therefore, our market risk with respect to such debt is the increase in interest expense which would result from higher interest rates associated with LIBOR. Such outstanding debt under our United States credit facilities was $21,000,000 and $43,300,000 at July 31, 2010 and 2009, respectively, and the average outstanding balance during fiscal 2010 and 2009 was approximately $32,000,000 and $53,000,000, respectively. During fiscals 2010 and 2009, the weighted average interest rate on outstanding debt was 2.55% and 3.94%, respectively. A 100 basis-point increase in average LIBOR interest rates would have resulted in incremental interest expense of approximately $317,000 and $526,000 during fiscals 2010 and 2009, respectively. However, substantially all of our outstanding borrowings were under LIBOR contracts at July 31, 2010 that have expiration dates ranging from 3 to 12 months; therefore, we are substantially protected throughout most of fiscal 2011 from any exposure associated with increasing LIBOR rates, assuming debt levels remain constant.

Our other long-term liabilities would not be materially affected by an increase in interest rates. We also maintained a cash balance of $22,612,000 at July 31, 2010 which is either maintained in cash or invested in low risk and low return cash equivalents such as short-term guaranteed investment certificates issued by various Canadian banks and United States money market funds with leading banking institutions. An increase in interest rates would generate additional interest income for us from these low risk cash equivalents, which would partially offset the adverse impact of the additional interest expense.

With respect to foreign currency exchange rates, we are principally impacted by changes in the Canadian dollar, euro and British pound as these currencies relate to the United States dollar. We use a sensitivity analysis to assess the market risk associated with our foreign currency transactions. Market risk is defined here as the potential change in fair value resulting from an adverse movement in foreign currency exchange rates.

Our Canadian subsidiaries and Netherlands subsidiary have net assets in currencies (principally United States dollars) other than their functional Canadian and Euro currency, which must be converted into its functional currency, thereby giving rise to realized foreign exchange gains and losses. Similarly, our United States subsidiaries have net assets in currencies (principally euros and British pounds) other than their functional United States currency, which must be converted into its functional currency, thereby giving rise to realized foreign exchange gains and losses. Therefore, our Canadian subsidiaries, Netherlands subsidiary and United States subsidiaries are exposed to risk if the value of the Canadian dollar, euro and British pound appreciates relative to the United States dollar. For fiscals 2010 and 2009, a uniform 15% increase in the Canadian dollar, euro and British pound relative to the United States dollar would have resulted in aggregate realized losses (after tax) of approximately $420,000 and $350,000, respectively. However, since certain of our subsidiaries use

foreign currency forward contracts to hedge against the impact of fluctuations of the Canadian dollar, euro and British pound relative to the United States dollar, realized losses relating to the fluctuation of those currencies would be partially offset by gains on the foreign currency forward contracts.

In addition to the above, adverse changes in foreign currency exchange rates impact the translation of our financial statements. For fiscals 2010 and 2009, a uniform 15% adverse movement in foreign currency rates would have resulted in realized losses (after tax) of approximately $620,000 and $880,000, respectively, due to the translation of the results of operations of foreign subsidiaries (adverse changes would be caused by appreciation of either the Canadian dollar or the euro relative to the United States dollar). However, such a change in foreign currency rates would have resulted in an unrealized gain on our net investment in foreign subsidiaries of $3,867,000 and $2,648,000 in fiscals 2010 and 2009, respectively. Such an unrealized gain would be recorded in accumulated other comprehensive income in our stockholders' equity. Conversely, if the Canadian dollar and the euro depreciated by 15% relative to the United States dollar, we would have recognized realized gains (after tax) of approximately $620,000 and $880,000 in fiscals 2010 and 2009, respectively, and unrealized losses of $3,867,000 and $2,648,000 in fiscals 2010 and 2009, respectively, on our net investment in foreign subsidiaries. However, since we view these investments as long-term, we would not expect such unrealized losses to be realized in the near term.

The aggregate adverse impact, net of tax, to our results of operations of a uniform 15% increase in foreign currency exchange rates, as described above, due to both financial statement translation and functional currency conversion would have been $1,040,000 and $1,230,000 for fiscals 2010 and 2009, respectively, partially offset by the affect of our foreign currency forward contracts.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Index to Consolidated Financial Statements, which is Item 15(a), and the Consolidated Financial Statements and schedule included in this Report.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

Item 9A. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of July 31, 2010. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that the design and operation of these disclosure controls and procedures were, as of the end of the period covered by this report, effective and designed to ensure that material information relating to the Company, including our consolidated subsidiaries, required to be disclosed in our SEC reports is (i) recorded, processed, summarized and reported within the time periods specified by the SEC and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

Management's Report on Internal Control over Financial Reporting

The management of Cantel Medical Corp. is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. 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 United States generally accepted accounting principles. 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 the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in condition, or that the degree of compliance with the policies and procedures included in such controls may deteriorate.

We, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of our internal controls over financial reporting based on the framework and criteria established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer each concluded that our internal control over financial reporting was effective as of July 31, 2010.

Our independent auditors, Ernst & Young LLP, have issued an attestation report on our internal control over financial reporting, which is included below.

Changes in Internal Control

We have evaluated our internal controls over financial reporting and determined that no changes occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting, except as described below.

On June 1, 2010, we acquired Purity as more fully described in Note 3 to the Consolidated Financial Statements. During the initial transition period following this acquisition, we have enhanced our internal control process at our Mar Cor Purification subsidiary to ensure that all financial information related to this acquisition is properly reflected in our Consolidated Financial Statements. During the first quarter of our fiscal 2011, we expect that all aspects of this acquisition will be fully integrated into Mar Cor's existing internal control structure.

Attestation Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Cantel Medical Corp.

We have audited Cantel Medical Corp.'s internal control over financial reporting as of July 31, 2010, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Cantel Medical Corp.'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, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and 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, Cantel Medical Corp maintained, in all material respects, effective internal control over financial reporting as of July 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Cantel Medical Corp. as of July 31, 2010 and 2009 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended July 31, 2010 of Cantel Medical Corp. and our report dated October 14, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

MetroPark, New Jersey
October 14, 2010

Item 9B. OTHER INFORMATION.

None.

PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Incorporated by reference to the Registrant's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act in connection with the 2010 Annual Meeting of Stockholders of the Registrant, except for the following:

We have adopted a Code of Ethics for the Chief Executive Officer, the Chief Financial Officer and other officers and management personnel that is posted on our website, www.cantelmedical.com. We intend to satisfy the disclosure requirement regarding any amendment to, or a waiver of, a provision of the Code of Ethics for the Chief Executive Officer, Chief Financial Officer and other officers and management personnel by posting such information on our website.

Item 11. EXECUTIVE COMPENSATION.

Incorporated by reference to the Registrant's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act in connection with the 2010 Annual Meeting of Stockholders of the Registrant.

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

Incorporated by reference to the Registrant's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act in connection with the 2010 Annual Meeting of Stockholders of the Registrant, except for the following:

The following table shows, as of July 31, 2010, the number of options or nonvested restricted shares currently outstanding, as well as the number of shares remaining available for grant under our existing equity plans. No further grants may be made from the 1997 Employee Stock Option Plan or 1998 Directors' Stock Option Plan. For these plans, therefore, the table shows only the number of options outstanding:

Plan	Outstanding Options	Nonvested Restricted Shares	Available for Grant
2006 Equity Incentive Plan - Options	922,362	-	193,583
2006 Equity Incentive Plan - Restricted Shares	-	158,652	462,096
1997 Employee Stock Option Plan	477,751	-	-
1998 Directors' Stock Option Plan	27,750	-	-
	1,427,863	158,652	655,679

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Incorporated by reference to the Registrant's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act in connection with the 2010 Annual Meeting of Stockholders of the Registrant.

Item 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Incorporated by reference to the Registrant's definitive proxy statement to be filed with the SEC pursuant to Regulation 14A promulgated under the Exchange Act in connection with the 2010 Annual Meeting of Stockholders of the Registrant.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) The following documents are filed as part of this Annual Report on Form 10-K for the fiscal year ended July 31, 2010.

1. Consolidated Financial Statements:

   (i) Report of Independent Registered Public Accounting Firm.

   (ii) Consolidated Balance Sheets as of July 31, 2010 and 2009.

   (iii) Consolidated Statements of Income for the years ended July 31, 2010, 2009 and 2008.

   (iv) Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income for the years ended July 31, 2010, 2009 and 2008.

   (v) Consolidated Statements of Cash Flows for the years ended July 31, 2010, 2009 and 2008.

   (vi) Notes to Consolidated Financial Statements.

2. Consolidated Financial Statement Schedules:

   (i) Schedule II - Valuation and Qualifying Accounts for the years ended July 31, 2010, 2009 and 2008.

All other financial statement schedules are omitted since they are not required, not applicable, or the information has been included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits:

3(a) - Registrant's Restated Certificate of Incorporation dated July 20, 1978. (Incorporated herein by reference to Exhibit 3(a) to Registrant's 1981 Annual Report on Form 10-K.)

3(b) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on February 16, 1982. (Incorporated herein by reference to Exhibit 3(b) to Registrant's 1982 Annual Report on Form 10-K.)

3(c) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on May 4, 1984. (Incorporated herein by reference to Exhibit 3(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 1984.)

3(d) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on August 19, 1986. (Incorporated herein by reference to Exhibit 3(d) to Registrant's 1986 Annual Report on Form 10-K.)

3(e) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on December 12, 1986. (Incorporated herein by reference to Exhibit 3(e) to Registrant's 1987 Annual Report on Form 10-K [the "1987 10-K"].)

3(f) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on April 3, 1987. (Incorporated herein by reference to Exhibit 3(f) to Registrant's 1987 10-K.)

3(g) - Certificate of Change of Registrant, filed on July 12, 1988. (Incorporated herein by reference to Exhibit 3(g) to Registrant's 1988 Annual Report on Form 10-K.)

3(h) - Certificate of Amendment of Certificate of Incorporation of Registrant, filed on April 17, 1989. (Incorporated herein by reference to Exhibit 3(h) to Registrant's 1989 Annual Report on Form 10-K.)

3(i) – Certificate of Amendment of Certificate of Incorporation of Registrant, filed on May 10, 1999. (Incorporated herein by reference to Exhibit 3(i) to Registrant's 2000 Annual Report on Form 10-K [the "2000 10-K"].)

3(j) – Certificate of Amendment of Certificate of Incorporation of Registrant, filed on April 5, 2000. (Incorporated herein by reference to Exhibit 3(j) to Registrant's 2000 10-K.)

3(k) – Certificate of Amendment of Certificate of Incorporation of Registrant, filed on September 6, 2001. (Incorporated herein by reference to Exhibit 3(k) to Registrant's 2001 Annual Report on Form 10-K.)

3(l) – Certificate of Amendment of Certificate of Incorporation of Registrant, filed on June 7, 2002. (Incorporated herein by reference to Exhibit 3(l) to Registrant's 2002 Annual Report on Form 10-K [the "2002 10-K"].)

3(m) – Certificate of Amendment of Certificate of Incorporation of Registrant, filed on December 22, 2005. (Incorporated herein by reference to Exhibit 3(m) to Registrant's 2007 Annual Report on Form 10-K [the "2007 10-K"].)

3(n) - Registrant's By-Laws adopted April 24, 2002. (Incorporated herein by reference to Exhibit 3(m) to Registrant's 2002 10-K.)

10(a) - Registrant's 1997 Employee Stock Option Plan, as amended. (Incorporated herein by reference to Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended April 30, 2010 [the "April 2010 10-Q"].)

10(b) - Form of Incentive Stock Option Agreement under Registrant's 1997 Employee Stock Option Plan. (Incorporated herein by reference to Exhibit 10(t) to Registrant's 1997 Annual Report on Form 10-K.)

10(c) - Registrant's 1998 Directors' Stock Option Plan, as amended. (Incorporated herein by reference to Exhibit 10(b) to Registrant's April 2010 10-Q.)

10(d) - Form of Quarterly Stock Option Agreement under the Registrant's 1998 Directors' Stock Option Plan. (Incorporated herein by reference to Exhibit 10(hh) to Registrant's 2000 10-K.)

10(e) - Form of Annual Stock Option Agreement under the Registrant's 1998 Directors' Stock Option Plan. (Incorporated herein by reference to Exhibit 10(ii) to Registrant's 2000 10-K.)

10(f) – 2006 Equity Incentive Plan, as amended (Incorporated herein by reference to Annex C to Registrant's 2009 Definitive Proxy Statement on Schedule 14A.)

10(g) - Form of Stock Option Agreement for option grants to directors, as amended, under Registrant's 2006 Equity Incentive Plan.

10(h) – Form of Stock Option Agreement for option grants to executive officers, as amended, under Registrant's 2006 Equity Incentive Plan.

10(i) - Form of Restricted Stock Agreement, as amended, under the Registrant's 2006 Equity Incentive Plan.

10(j) - Amended and Restated Credit Agreement dated as of August 1, 2005 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed on August 5, 2005.)

10(k) - First Amendment to Credit Agreement dated April 19, 2006 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10(m) to Registrant's 2007 10-K.)

10(l) - Second Amendment to Credit Agreement dated November 17, 2006 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10(b) to Registrant's April 30, 2007 Quarterly Report on Form 10-Q [the "April 2007 10-Q"].)

10(m) - Third Amendment to Credit Agreement dated March 29, 2007 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as

sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10(c) to the Registrant's April 2007 10-Q.)

10(n) - Fourth Amendment to Credit Agreement dated May 17, 2007 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10(d) to the Registrant's April 2007 10-Q.)

10(o) - Fifth Amendment to Credit Agreement and Consent dated December 17, 2009 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager.) (Incorporated herein by reference to Exhibit 10(a) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended January 31, 2010.)

10(p) - Sixth Amendment to Credit Agreement and Consent dated May 28, 2010 among Registrant, Bank of America N.A., PNC Bank, National Association, and Wells Fargo Bank, National Association (and Banc of America Securities LLC, as sole lead arranger and sole book manager). (Incorporated herein by reference to Exhibit 10(a) to the Registrant's April 2010 10-Q.)

10(q) - Product Supply Agreement dated as of March 30, 2007 between GE Osmonics, Inc. and Mar Cor Purification, Inc. (Incorporated herein by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated April 4, 2007.)

10(r) - Executive Severance Agreement dated as of February 12, 2010 between Registrant and Andrew A. Krakauer (Incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed February 12, 2010 [the "February 2010 8-K"].)

10(s) - Executive Severance Agreement dated as of February 12, 2010 between Registrant and Seth R. Segel (Incorporated herein by reference to Exhibit 10.2 of the Registrant's February 2010 8-K.)

10(t) - Executive Severance Agreement dated as of February 12, 2010 between Registrant and Craig A. Sheldon (Incorporated herein by reference to Exhibit 10.3 of the Registrant's February 2010 8-K.)

10(u) - Executive Severance Agreement dated as of February 12, 2010 between Registrant and Eric W. Nodiff (Incorporated herein by reference to Exhibit 10.4 of the Registrant's February 2010 8-K.)

10(v) - Executive Severance Agreement dated as of February 12, 2010 between Registrant and Roy K. Malkin (Incorporated herein by reference to Exhibit 10.5 of the Registrant's February 2010 8-K.)

10(w) - Confidentiality and Non-Competition Agreement dated as of February 12, 2010 between Registrant and Andrew A. Krakauer (Incorporated herein by reference to Exhibit 10.6 of the Registrant's February 2010 8-K.)

10(x) - Confidentiality and Non-Competition Agreement dated as of February 12, 2010 between Registrant and Seth R. Segel (Incorporated herein by reference to Exhibit 10.7 of the Registrant's February 2010 8-K.)

10(y) - Confidentiality and Non-Competition Agreement dated as of February 12, 2010 between Registrant and Craig A. Sheldon (Incorporated herein by reference to Exhibit 10.8 of the Registrant's February 2010 8-K.)

10(z) - Confidentiality and Non-Competition Agreement dated as of February 12, 2010 between Registrant and Eric W. Nodiff (Incorporated herein by reference to Exhibit 10.9 of the Registrant's February 2010 8-K.)

10(aa) - Confidentiality and Non-Competition Agreement dated as of February 12, 2010 between Registrant and Roy K. Malkin (Incorporated herein by reference to Exhibit 10.10 of the Registrant's February 2010 8-K.)

10(bb) – Cantel Medical Corp. Annual Incentive Compensation Plan (Incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed December 23, 2009 [the "December 2009 8-K"].)

10(cc) – Cantel Medical Corp. Long Term Incentive Compensation Plan (Incorporated herein by reference to Exhibit 10.2 of the Registrant's December 2009 8-K.)

21 - Subsidiaries of Registrant.

23 - Consent of Ernst & Young LLP.

31.1 - Certification of Principal Executive Officer.

31.2 - Certification of Principal Financial Officer.

32 - Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

CANTEL MEDICAL CORP.

Date: October 14, 2010

By: /s/ Andrew A. Krakauer
Andrew A. Krakauer, President and Chief Executive Officer (Principal Executive Officer)

By: /s/ Craig A. Sheldon
Craig A. Sheldon, Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

By: /s/ Steven C. Anaya
Steven C. Anaya, Vice President and Controller

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:

/s/ Charles M. Diker Charles M. Diker, a Director and Chairman of the Board	Date:	October 14, 2010
/s/ George L. Fotiades George L. Fotiades, a Director and Vice Chairman of the Board	Date:	October 14, 2010
/s/ Robert L. Barbanell Robert L. Barbanell, a Director	Date:	October 14, 2010
/s/ Alan R. Batkin Alan R. Batkin, a Director	Date:	October 14, 2010
/s/ Joseph M. Cohen Joseph M. Cohen, a Director	Date:	October 14, 2010
/s/ Mark N. Diker Mark N. Diker, a Director	Date:	October 14, 2010
/s/ Alan J. Hirschfield Alan J. Hirschfield, a Director	Date:	October 14, 2010
/s/ Andrew A. Krakauer Andrew A. Krakauer, a Director and President & CEO	Date:	October 14, 2010
/s/ Bruce Slovin Bruce Slovin, a Director	Date:	October 14, 2010

EXHIBIT 21

CANTEL MEDICAL CORP.

Subsidiaries of Registrant

Carsen Group, Inc.	(Incorporated under the laws of Ontario, Canada)
Minntech Corporation	(Incorporated under the laws of Minnesota)
Minntech B.V.	(Incorporated under the laws of The Netherlands)
Minntech Japan K.K.	(Incorporated under the laws of Japan)
Minntech Asia/Pacific Ltd.	(Incorporated under the laws of Singapore)
Biolab Equipment Ltd.	(Amalgamated under the laws of Ontario, Canada)
Mar Cor Purification, Inc.	(Incorporated under the laws of Pennsylvania)
Saf-T-Pak Inc.	(Incorporated under the laws of Canada)
Crosstex International, Inc.	(Incorporated under the laws of New York)
Strong Dental Products, Inc.	(Incorporated under the laws of Nevada)

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statements (Form S-8 Nos. 333-123037 and 333-113277) pertaining to the Cantel Medical Corp. 1997 Employee Stock Option Plan,
(2) Registration Statement (From S-8 No. 333-20819) pertaining to the Cantel Medical Corp. 1996 Employee Stock Option Plan, the Cantel Medical Corp. 1997 Employee Stock Option Plan and the Cantel Medical Corp. 1998 Directors' Stock Option Plan,
(3) Registration Statement (Form S-8 No. 333-57232) pertaining to the Cantel Medical Corp. 1997 Employee Stock Option Plan and the Cantel Medical Corp. 1998 Directors' Stock Option Plan, and
(4) Registration Statements (Form S-8 Nos. 333-140388, 333-157033 and 333-163806) pertaining to the Cantel Medical Corp. 2006 Equity Incentive Plan, as amended,

of our reports dated October 14, 2010, with respect to the consolidated financial statements and schedule of Cantel Medical Corp., and the effectiveness of internal control over financial reporting of Cantel Medical Corp., included in this Annual Report (Form 10-K) for the year ended July 31, 2010.

/s/ Ernst & Young LLP

MetroPark, New Jersey
October 14, 2010

EXHIBIT 31.1

CERTIFICATIONS

I, Andrew A. Krakauer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cantel Medical Corp.;

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 officers 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   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 changes 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 officers 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 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 controls 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 controls over financial reporting.

Date: October 14, 2010

By: /s/ Andrew A. Krakauer
Andrew A. Krakauer, President and Chief Executive Officer (Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATIONS

I, Craig A. Sheldon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Cantel Medical Corp.;

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 officers 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 control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we 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 control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   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 changes 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 officers 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 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 controls 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 controls over financial reporting.

Date: October 14, 2010

By: /s/ Craig A. Sheldon
Craig A. Sheldon, Senior Vice President, Chief Financial
Officer and Treasurer (Principal Financial and Accounting Officer)

Exhibit 32

CERTIFICATION
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002
(SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF
TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of Title 18, United States Code), the undersigned officers of Cantel Medical Corp. (the "Company"), do hereby certify with respect to the Annual Report of the Company on Form 10-K for the year ended July 31, 2010 as filed with the Securities and Exchange Commission (the "Form 10-K") that, to the best of their knowledge:

1. The Form 10-K fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 14, 2010

/s/ Andrew A. Krakauer
Andrew A. Krakauer
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Craig A. Sheldon
Craig A. Sheldon
Senior Vice President, Chief Financial
Officer and Treasurer
(Principal Financial and Accounting Officer)

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CANTEL MEDICAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JULY 31, 2010

CONTENTS

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Cantel Medical Corp.

We have audited the accompanying consolidated balance sheets of Cantel Medical Corp. and subsidiaries as of July 31, 2010 and 2009, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended July 31, 2010. Our audits also included the financial statement schedule included in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cantel Medical Corp. and subsidiaries at July 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended July 31, 2010, 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 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), Cantel Medical Corp.'s internal control over financial reporting as of July 31, 2010, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 14, 2010 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

MetroPark, New Jersey
October 14, 2010

CANTEL MEDICAL CORP.
CONSOLIDATED BALANCE SHEETS
(Dollar Amounts in Thousands, Except Share Data)

	July 31, 2010	July 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 22,612	$ 23,368
Accounts receivable, net of allowance for doubtful accounts of $870 in 2010 and $1,080 in 2009	31,870	30,450
Inventories	34,622	29,200
Deferred income taxes	2,420	1,898
Prepaid expenses and other current assets	3,207	3,994
Total current assets	94,731	88,910
Property and equipment, at cost:		
Land, buildings and improvements	19,913	19,846
Furniture and equipment	47,639	43,100
Leasehold improvements	2,113	1,690
	69,665	64,636
Less accumulated depreciation and amortization	(34,422)	(28,668)
	35,243	35,968
Intangible assets, net	32,717	37,042
Goodwill	116,783	114,995
Other assets	1,191	956
	$ 280,665	$ 277,871
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable	9,640	8,948
Compensation payable	10,675	10,431
Earnout payable	-	157
Accrued expenses	6,370	6,583
Deferred revenue	4,233	2,819
Income taxes payable	66	175
Total current liabilities	40,984	39,113
Long-term debt	11,000	33,300
Deferred income taxes	17,868	16,378
Other long-term liabilities	1,408	1,964
Commitments and contingencies	-	-
Stockholders' equity:		
Preferred Stock, par value $1.00 per share; authorized 1,000,000 shares; none issued	-	-
Common Stock, par value $.10 per share; authorized 30,000,000 shares; issued 2010 - 18,272,574 shares, outstanding 2010 - 16,866,284 shares; issued 2009- 17,883,873 shares, outstanding 2009 - 16,643,727 shares	1,827	1,788
Additional paid-in capital	94,714	87,169
Retained earnings	120,363	102,103
Accumulated other comprehensive income	8,045	8,281
Treasury Stock, 2010 - 1,406,290 shares at cost; 2009-1,240,146 shares at cost	(15,544)	(12,225)
Total stockholders' equity	209,405	187,116
	$ 280,665	$ 277,871

See accompanying notes.

CANTEL MEDICAL CORP.
CONSOLIDATED STATEMENTS OF INCOME
(Dollar Amounts in Thousands, Except Per Share Data)

	Year Ended July 31,		
	2010	**2009**	**2008**
Net sales	$ 273,952	$ 260,050	$ 249,374
Cost of sales	162,981	160,571	161,748
Gross profit	110,971	99,479	87,626
Expenses:			
Selling	36,092	30,398	28,636
General and administrative	37,045	36,998	37,013
Research and development	5,169	4,632	4,010
Total operating expenses	78,306	72,028	69,659
Income before interest and income taxes	32,665	27,451	17,967
Interest expense	1,169	2,639	4,631
Interest income	(59)	(144)	(515)
Income before income taxes	31,555	24,956	13,851
Income taxes	11,614	9,387	5,158
Net income	$ 19,941	$ 15,569	$ 8,693
Earnings per common share:			
Basic	$ 1.19	$ 0.94	$ 0.53
Diluted	$ 1.18	$ 0.94	$ 0.53
Dividends per common share:	$ 0.10	$ -	$ -

See accompanying notes.

CANTEL MEDICAL CORP.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME
(Dollar amounts in Thousands, Except Share Data)
Years Ended July 31, 2010, 2009 and 2008

	Common Stock							
	Number of Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock, at Cost	Total Stock-holders' Equity	Total Compre-hensive Income
Balance, July 31, 2007	16,116,487	$ 1,713	$ 76,843	$ 77,841	$ 8,494	$ (9,821)	$ 155,070	
Exercises of options	245,978	29	1,786			(664)	1,151	
Repurchases of shares	(90,700)					(855)	(855)	
Stock-based compensation			1,961				1,961	
Issuance of restricted stock	130,500	13	(13)				-	
Cancellation of restricted stock	(31,421)	(3)	3				-	
Income tax benefit from exercises of stock options and vesting of restricted stock			895				895	
Translation adjustment, net of $363 in tax					1,797		1,797	$ 1,797
Net income				8,693			8,693	8,693
Total comprehensive income for fiscal 2008								$ 10,490
Balance, July 31, 2008	16,370,844	1,752	81,475	86,534	10,291	(11,340)	168,712	
Exercises of options	215,730	26	1,772			(483)	1,315	
Repurchases of shares	(43,847)					(402)	(402)	
Stock-based compensation			3,187				3,187	
Issuance of restricted stock	101,000	10	(10)				-	
Income tax benefit from exercises of stock options and vesting of restricted stock			745				745	
Translation adjustment, net of $352 in tax					(2,010)		(2,010)	$ (2,010)
Net income				15,569			15,569	15,569
Total comprehensive income for fiscal 2009								$ 13,559
Balance, July 31, 2009	16,643,727	1,788	87,169	102,103	8,281	(12,225)	187,116	
Exercises of options	196,950	34	4,998			(2,893)	2,139	
Repurchases of shares	(22,218)					(426)	(426)	
Stock-based compensation			3,130				3,130	
Issuance of restricted stock	47,825	5	(5)				-	
Income tax deficiency from exercises of stock options and vesting of restricted stock			(578)				(578)	
Dividends on common stock				(1,681)	-	-	(1,681)	
Translation adjustment, net of $1,302 in tax					(236)		(236)	$ (236)
Net income				19,941			19,941	19,941
Total comprehensive income for fiscal 2010								$ 19,705
Balance, July 31, 2010	16,866,284	$ 1,827	$ 94,714	$ 120,363	$ 8,045	$ (15,544)	$ 209,405	

See accompanying notes.

CANTEL MEDICAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollar Amounts in Thousands)

	Year Ended July 31,		
	2010	**2009**	**2008**
Cash flows from operating activities			
Net income	$ 19,941	$ 15,569	$ 8,693
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,333	6,217	6,058
Amortization	5,105	5,152	5,674
Stock-based compensation expense	3,130	3,187	1,961
Amortization of debt issuance costs	470	549	377
Loss on disposal of fixed assets	238	52	126
Deferred income taxes	(2,221)	(1,955)	(1,977)
Excess tax benefits from stock-based compensation	(424)	(267)	(434)
Changes in assets and liabilities:			
Accounts receivable	(1,065)	(185)	1,189
Inventories	(5,189)	2,298	(3,343)
Prepaid expenses and other current assets	436	(1,405)	(1,052)
Accounts payable, deferred revenue and accrued expenses	1,272	953	(471)
Income taxes payable	1,007	827	1,756
Net cash provided by operating activities	29,033	30,992	18,557
Cash flows from investing activities			
Capital expenditures	(5,605)	(4,215)	(4,983)
Proceeds from disposal of fixed assets	5	1,669	23
Earnout paid to Crosstex sellers	-	(3,666)	(3,667)
Acquisition of Twist	(157)	(629)	(15)
Acquisition of DSI	-	-	(1,250)
Acquisition of Strong Dental, net of cash acquired	-	-	(3,711)
Acquisition of Verimetrix	-	-	(4,906)
Acquisition of G.E.M.	-	(4,414)	-
Acquisition of Purity Water, net of cash acquired	(1,970)	-	-
Purchase of convertible note receivable	(300)	(200)	-
Other, net	(213)	5	43
Net cash used in investing activities	(8,240)	(11,450)	(18,466)
Cash flows from financing activities			
Borrowings under revolving credit facilities, net of debt issuance costs	-	3,500	15,050
Repayments under term loan facility	(10,000)	(8,000)	(6,000)
Repayments under revolving credit facility	(12,300)	(10,500)	(7,750)
Proceeds from exercises of stock options	2,139	1,315	1,151
Dividends paid	(1,683)	-	-
Excess tax benefits from stock-based compensation	424	267	434
Purchase of interest rate cap	-	-	(148)
Purchases of treasury stock	(426)	(402)	(855)
Net cash (used in) provided by financing activities	(21,846)	(13,820)	1,882
Effect of exchange rate changes on cash and cash equivalents	297	(672)	485
(Decrease) increase in cash and cash equivalents	(756)	5,050	2,458
Cash and cash equivalents at beginning of year	23,368	18,318	15,860
Cash and cash equivalents at end of year	$ 22,612	$ 23,368	$ 18,318

See accompanying notes.

1. Business Description

Cantel Medical Corp. ("Cantel") is a leading provider of infection prevention and control products and services in the healthcare market, specializing in the following operating segments:

- Water Purification and Filtration: Water purification equipment and services, filtration and separation products, and disinfectants for the medical, pharmaceutical, biotech, beverage and commercial industrial markets.

- Healthcare Disposables: Single-use, infection prevention and control products used principally in the dental market including face masks, sterilization pouches, towels and bibs, tray covers, saliva ejectors, germicidal wipes, plastic cups and disinfectants.

- Endoscope Reprocessing: Medical device reprocessing systems, disinfectants, enzymatic detergents and other supplies used to high-level disinfect flexible endoscopes.

- Dialysis: Medical device reprocessing systems, sterilants/disinfectants, dialysate concentrates and other supplies for renal dialysis.

- Therapeutic Filtration: Hollow fiber membrane filtration and separation technologies for medical applications. (Included in All Other reporting segment.)

- Specialty Packaging: Specialty packaging and thermal control products, as well as related compliance training, for the transport of infectious and biological specimens and thermally sensitive pharmaceutical, medical and other products. (Included in All Other reporting segment.)

- Chemistries: Sterilants, disinfectants, detergents and decontamination services used in various applications for infection prevention and control. (Included in All Other reporting segment.)

Most of our equipment, consumables and supplies are used to help prevent or control the occurrence or spread of infections.

Cantel had five principal operating companies during fiscals 2010, 2009 and 2008, Minntech Corporation ("Minntech"), Crosstex International, Inc. ("Crosstex"), Mar Cor Purification, Inc. ("Mar Cor"), Biolab Equipment Ltd. ("Biolab") and Saf-T-Pak Inc. ("Saf-T-Pak"), all of which are wholly-owned operating subsidiaries. In addition, Minntech has three foreign subsidiaries, Minntech B.V., Minntech Asia/Pacific Ltd. and Minntech Japan K.K., which serve as Minntech's bases in Europe, Asia/Pacific and Japan, respectively.

During fiscal 2010, we changed our internal reporting processes to include a new operating segment called Chemistries to reflect the way the Company, through its executive management, manages, allocates resources and measures the performance of its businesses. This new operating segment is the combination of a small portion of our existing sterilant business, comprised of products sold on an OEM basis and previously recorded in our Water Purification and Filtration segment, and a new business operation that was created to capitalize on our chemistry expertise and expand our product offerings in existing and new markets within the infection prevention and control arena. All periods presented have been restated to reflect this change.

As such, we currently operate our business through seven operating segments: Water Purification and Filtration (through Mar Cor, Biolab and Minntech), Healthcare Disposables (through Crosstex), Endoscope Reprocessing (through Minntech), Dialysis (through Minntech), Therapeutic Filtration (through Minntech), Specialty Packaging (through Saf-T-Pak) and Chemistries (through Minntech). The Therapeutic Filtration, Specialty Packaging and Chemistries operating segments are combined in the All Other reporting segment for financial reporting purposes.

We acquired certain net assets of Dialysis Services, Inc. ("DSI") on August 1, 2007 and Verimetrix, LLC ("Verimetrix") on September 17, 2007, and all of the issued and outstanding stock of Strong Dental Products, Inc. ("Strong Dental") on September 26, 2007, as more fully described in Note 3 to the Consolidated Financial Statements. The acquisitions of DSI, Verimetrix and Strong Dental had an overall insignificant affect on our results of operations in fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to their respective acquisition dates due to the small size of these businesses. Their results of operations are included in our results of operations for fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to their respective acquisition dates. DSI, Verimetrix and Strong Dental are included in the Water Purification and Filtration, Endoscope Reprocessing and Healthcare Disposables segments, respectively.

On July 31, 2009, we acquired certain net assets of G.E.M. Water Systems Int'l, LLC ("G.E.M."), as more fully described in Note 3 to the Consolidated Financial Statements. Its results of operations are included in our results of operations for fiscal 2010, but are not reflected in our results of operations for fiscals 2009 and 2008. Its net assets are included in our Consolidated Balance Sheets at July 31, 2010 and 2009. G.E.M. is included in our Water Purification and Filtration segment.

On June 1, 2010, we acquired all of the issued and outstanding stock of Purity Water Company of San Antonio, Inc. ("Purity"), as more fully described in Note 3 to the Consolidated Financial Statements. Its results of operations are included in our results of operations in fiscal 2010 subsequent to its acquisition date and are excluded for all prior periods.

In June 2008, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 260-10-45, "*Earnings Per Share – Other Presentation Matters,*" ("ASC 260-10-45"). ASC 260-10-45 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share ("EPS") pursuant to the two-class method. ASC 260-10-45 is effective for fiscal years beginning after December 15, 2008 and therefore was adopted on August 1, 2009 as further described in Note 2 to the Consolidated Financial Statements. All prior period EPS data have been adjusted retrospectively to conform to the provisions of ASC 260-10-45. In fiscals 2009 and 2008, such retrospective application caused an insignificant increase in the denominator of our weighted average shares calculation, which decreased previously reported basic EPS in fiscals 2009 and 2008 from $0.96 to $0.94 and $0.54 to $0.53, respectively, but had no impact on previously reported diluted EPS.

Throughout this document, references to "Cantel," "us," "we," "our," and the "Company" are references to Cantel Medical Corp. and its subsidiaries, except where the context makes it clear the reference is to Cantel itself and not its subsidiaries.

Subsequent Events

On October 6, 2010, our Mar Cor subsidiary acquired from Gambro Renal Products, Inc. ("GRP") and a Swedish-based affiliate of GRP (collectively, "Gambro") certain net assets and the exclusive rights in the United States to manufacture and sell Gambro's water treatment products used in the production of water for hemodialysis ("Gambro Water" or the "Gambro Acquisition"), as more fully described in Note 3 to the Consolidated Financial Statements. Since the acquisition occurred subsequent to July 31, 2010, the Gambro Acquisition is not included in our results of operations for any of the periods presented.

We performed a review of events subsequent to July 31, 2010. Based upon that review, no additional subsequent events occurred that required updating to our Consolidated Financial Statements or disclosures.

2. Summary of Significant Accounting Policies

The following is a summary of our significant accounting policies used to prepare our Consolidated Financial Statements.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of Cantel and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Revenue Recognition

Revenue on product sales is recognized as products are shipped to customers and title passes. The passing of title is determined based upon the FOB terms specified for each shipment. With respect to dialysis, therapeutic, specialty packaging, chemistries and endoscope reprocessing products, shipment terms are generally FOB origin for common carrier and FOB destination when our distribution fleet is utilized (except for one large customer in dialysis whereby all products are shipped FOB destination). With respect to water purification and filtration and healthcare disposable products, shipment terms may be either FOB origin or destination. Customer acceptance for the majority of our product sales occurs at the time of delivery. In certain instances, primarily with respect to some of our water purification and filtration equipment, endoscope reprocessing equipment and an insignificant amount of our sales of dialysis equipment, post-delivery obligations such as installation, in-servicing or training are contractually specified; in such instances, revenue recognition is deferred until all of such conditions have been substantially fulfilled such that the products are deemed functional by the end-user. With respect to a portion of water purification and filtration product sales, equipment is sold as part of a system for which the equipment is functionally interdependent or the customer's purchase order specifies "ship-complete" as a condition of delivery; revenue recognition on such sales is deferred until all equipment has been delivered.

A portion of our water purification and filtration and endoscope reprocessing sales are recognized as multiple element arrangements, whereby revenue is allocated to the equipment, installation and service components based upon vendor specific objective evidence, which includes comparable historical transactions of similar equipment and installation sold as stand alone components.

Revenue on service sales is recognized when repairs are completed at the customer's location or when repairs are completed at our facilities and the products are shipped to customers. With respect to certain service contracts in our Endoscope Reprocessing and Water Purification and Filtration operating segments, service revenue is recognized on a straight-line basis over the contractual term of the arrangement. All shipping and handling fees invoiced to customers, such as freight, are recorded as revenue (and related costs are included within cost of sales) at the time the sale is recognized.

None of our sales contain right-of-return provisions. Customer claims for credit or return due to damage, defect, shortage or other reason must be pre-approved by us before credit is issued or such product is accepted for return. No cash discounts for early payment are offered except with respect to a small portion of our sales of dialysis, healthcare disposable and water purification and filtration products and certain prepaid packaging products. We do not offer price protection, although advance pricing contracts or required notice periods prior to implementation of price increases exist for certain customers with respect to many of our products. With respect to certain of our dialysis, dental, water purification and filtration and endoscope reprocessing customers, volume rebates are provided; such volume rebates are provided for as a reduction of sales at the time of revenue recognition and amounted to $2,909,000, $2,461,000 and $1,757,000 in fiscals 2010, 2009 and 2008, respectively. The increase in volume rebates in fiscal 2010 compared with fiscal 2009 is primarily due to increased sales volume primarily in our Healthcare Disposables and Endoscope Reprocessing segments. The increase in volume rebates in fiscal 2009 compared with fiscal 2008 is primarily due to new terms in a renewed rebate arrangement with a major dental distributor in our Healthcare Disposables segment. Such allowances are determined based on estimated projections of sales volume for the entire rebate periods. If it becomes known that sales volume to customers will deviate from original projections, the volume rebate provisions originally established would be adjusted accordingly.

The majority of our dialysis products are sold to end-users; the majority of therapeutic filtration products and healthcare disposable products are sold to third party distributors; water purification and filtration products and services are sold directly and through third-party distributors to hospitals, dialysis clinics, pharmaceutical and biotechnology companies and other end-users; our endoscope reprocessing products and services are sold primarily to distributors internationally and directly to hospitals and other end-users in the United States; specialty packaging products are sold to third-party distributors, medical research companies, laboratories, pharmaceutical companies, hospitals, government agencies and other end-users; and chemistries products and services are sold to medical products and service companies, laboratories, pharmaceutical companies, hospitals and other end-users. Sales to all of these customers follow our revenue recognition policies.

Translation of Foreign Currency Financial Statements

Assets and liabilities of our foreign subsidiaries are translated into United States dollars at year-end exchange rates; sales and expenses are translated using average exchange rates during the year. The cumulative effect of the translation of the accounts of the foreign subsidiaries is presented as a component of accumulated other comprehensive income or loss. Foreign exchange gains and losses related to the purchase of inventories denominated in foreign currencies are included in cost of sales and foreign exchange gains and losses related to the incurrence of operating costs denominated in foreign currencies are included in general and administrative expenses. Additionally, foreign exchange gains and losses related to the conversion of foreign assets and liabilities into functional currencies are included in general and administrative expenses.

Cash and Cash Equivalents

We consider all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due to us from normal business activities. Allowances for doubtful accounts are reserves for the estimated loss from the inability of customers to make required payments. We use historical experience as well as current market information in determining the estimate. While actual losses have historically been within management's expectations and provisions established, 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. Alternatively, if certain customers paid their delinquent receivables, reductions in allowances may be required.

Inventories

Inventories consist of raw materials, work-in-process and finished products which are sold in the ordinary course of our business and are stated at the lower of cost (first-in, first-out) or market. In assessing the value of inventories, we must make estimates and judgments regarding reserves required for product obsolescence, aging of inventories and other issues potentially affecting the saleable condition of products. In performing such evaluations, we use historical experience as well as current market information. With few exceptions, the saleable value of our inventories has historically been within management's expectation and provisions established, however, rapid changes in the market due to competition, technology and various other factors could have an adverse effect on the saleable value of our inventories, resulting in the need for additional reserves.

Property and Equipment

Property and equipment are stated at cost. Additions and improvements are capitalized, while maintenance and repair costs are expensed. When assets are retired or otherwise disposed, the cost and related accumulated depreciation or amortization is removed from the respective accounts and any resulting gain or loss is included in income. Depreciation and amortization is provided on the straight-line method over the estimated useful lives of the assets which generally range from 2-15 years for furniture and equipment, 5-32 years for buildings and improvements and the shorter of the life of the asset or the life of the lease for leasehold improvements. Depreciation and amortization expense related to property and equipment for fiscals 2010, 2009 and 2008 was $6,333,000, $6,217,000 and $6,058,000, respectively.

Goodwill and Intangible Assets

Certain of our identifiable intangible assets, including customer relationships, technology, brand names, non-compete agreements and patents, are amortized using the straight-line method over their estimated useful lives which range from 3 to 20 years. Additionally, we have recorded goodwill and trademarks and trade names, all of which have indefinite useful lives and are therefore not amortized. All of our intangible assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, and goodwill and intangible assets with indefinite lives are reviewed for impairment at least annually. Our management is primarily responsible for determining if impairment exists and considers a number of factors, including third-party valuations, when making these determinations. In performing a review for goodwill impairment, management uses a two-step process that begins with an estimation of the fair value of the related operating segments by using average fair value results of the market multiple and discounted cash flow methodologies, as well as the comparable transaction methodology when applicable. The first step is a review for potential impairment, and the second step measures the amount of impairment, if any. In performing our annual review for indefinite lived intangibles, management compares

the current fair value of such assets to their carrying values. With respect to amortizable intangible assets when impairment indicators are present, management would determine whether expected future non-discounted cash flows would be sufficient to recover the carrying value of the assets; if not, the carrying value of the assets would be adjusted to their fair value. On July 31, 2010, management concluded that none of our intangible assets or goodwill was impaired.

While the results of these annual reviews have historically not indicated impairment, impairment reviews are highly dependent on management's projections of our future operating results and cash flows (which management believes to be reasonable), discount rates based on the Company's weighted-average cost of capital and appropriate benchmark peer companies. Assumptions used in determining future operating results and cash flows include current and expected market conditions and future sales forecasts. Subsequent changes in these assumptions and estimates could result in future impairment. Although we consistently use the same methods in developing the assumptions and estimates underlying the fair value calculations, such estimates are uncertain by nature and can vary from actual results.

Long-Lived Assets

We evaluate the carrying value of long-lived assets including property, equipment and other assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An assessment is made to determine if the sum of the expected future non-discounted cash flows from the use of the assets and eventual disposition is less than the carrying value. If the sum of the expected non-discounted cash flows is less than the carrying value, an impairment loss is recognized based on fair value. With few exceptions, our historical assessments of our long-lived assets have not differed significantly from the actual amounts realized. However, the determination of fair value requires us to make certain assumptions and estimates and is highly subjective, and accordingly, actual amounts realized may differ significantly from our estimates.

Other Assets

Debt issuance costs associated with the credit facilities are amortized to interest expense over the life of the credit facilities. As of July 31, 2010 and 2009, such debt issuance costs, net of related amortization, were included in other assets and amounted to $297,000 and $587,000, respectively.

Warranties

We provide for estimated costs that may be incurred to remedy deficiencies of quality or performance of our products at the time of revenue recognition. Most of our products have a one year warranty, although a majority of our endoscope reprocessing equipment in the United States carries a warranty period of up to fifteen months. We record provisions for product warranties as a component of cost of sales based upon an estimate of the amounts necessary to settle existing and future claims on products sold. The historical relationship of warranty costs to products sold is the primary basis for the estimate. A significant increase in third party service repair rates, the cost and availability of parts or the frequency of claims could have a material adverse impact on our results for the period or periods in which such claims or additional costs materialize. Management reviews its warranty exposure periodically and believes that the warranty reserves are adequate; however, actual claims incurred could differ from original estimates, requiring adjustments to the reserves.

Stock-Based Compensation

For fiscal 2005 and earlier periods, we accounted for stock options using the intrinsic value method under which stock compensation expense was not recognized because we granted stock options with exercise prices equal to the market value of the shares at the date of grant. Beginning August 1, 2005, we accounted for stock options under ASC Topic 718, "Compensation-Stock Compensation", ("ASC 718"), using the modified prospective method for the transition. Under the modified prospective method, stock compensation expense is recognized for any option grant or stock award granted on or after August 1, 2005, as well as the unvested portion of stock options granted prior to August 1, 2005, based upon the award's fair value.

All of our stock options and stock awards (which consist only of restricted stock) are subject to graded vesting in which portions of the award vest at different times during the vesting period, as opposed to awards that vest at the end of the vesting period. We recognize compensation expense for awards subject to graded vesting using the straight-line basis over the vesting period, reduced by estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures are estimated based on historical experience.

The stock-based compensation expense recorded in our Consolidated Financial Statements may not be representative of the effect of stock-based compensation expense in future periods due to the level of awards issued in past years (which level may not be similar in the future), modifications to existing awards and assumptions used in determining fair value, expected lives and estimated forfeitures. We determine the fair value of each stock award using the closing market price of our Common Stock on the date of grant. We estimate the fair value of each option grant on the date of grant using the Black-Scholes option valuation model. The determination of fair value using an option-pricing model is affected by our stock price as well as assumptions regarding a number of subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the expected option life (which is determined by using the historical closing prices of our Common Stock), the expected dividend yield (which historically has been 0% and is now approximately 0.6% as we began paying dividends in January 2010), and the expected option life (which is based on historical exercise behavior). If factors change and we employ different assumptions in future periods, the compensation expense that we would record may differ significantly from what we have recorded in the current period.

Legal Proceedings

In the normal course of business, we are subject to pending and threatened legal actions. It is our policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount of anticipated exposure can be reasonably estimated. We do not believe that any of these pending claims or legal actions will have a material effect on our business, financial condition, results of operations or cash flows.

Costs Associated with Exit or Disposal Activities

We recognize costs associated with exit or disposal activities, such as costs to terminate a contract, the exit or disposal of a business, or the early termination of a leased property, by recognizing the liability at fair value when incurred, except for certain one-time termination benefits, such as severance costs, for which the period of recognition begins when a severance plan is communicated to employees.

Inherent in the calculation of liabilities relating to exit and disposal activities are significant management judgments and estimates, including estimates of termination costs, employee attrition and the interest rate used to discount certain expected net cash payments. Such judgments and estimates are reviewed by us on a regular basis. The cumulative effect of a change to a liability resulting from a revision to either timing or the amount of estimated cash flows is recognized by us as an adjustment to the liability in the period of the change.

Although we have historically recorded minimal charges associated with exit or disposal activities, we recorded charges associated with exit or disposal activities in fiscals 2009 and 2008 relating to our restructuring plan for our Netherlands manufacturing operations, as further described in Note 18 to the Consolidated Financial Statements.

Earnings Per Common Share

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of Common Stock equivalents using the treasury stock method and the average market price of our Common Stock for the year.

Advertising Costs

Our policy is to expense advertising costs as they are incurred. Advertising costs charged to expense were $1,853,000, $1,483,000 and $1,186,000 for fiscals 2010, 2009 and 2008, respectively.

Income Taxes

We recognize deferred tax assets and liabilities based on differences between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities also include items recorded in conjunction with the purchase accounting for business acquisitions. We regularly review our deferred tax assets for recoverability and establish a valuation allowance, if necessary, based on historical taxable income, projected future taxable income,

and the expected timing of the reversals of existing temporary differences. Although realization is not assured, management believes it is more likely than not that the recorded deferred tax assets, as adjusted for valuation allowances, will be realized. Additionally, deferred tax liabilities are regularly reviewed to confirm that such amounts are appropriately stated. A review of our deferred tax items considers known future changes in various effective tax rates, principally in the United States. If the effective tax rate were to change in the future, particularly in the United States and to a lesser extent Canada, our items of deferred tax could be materially affected. All of such evaluations require significant management judgments.

We record liabilities for an unrecognized tax benefit when a tax benefit for an uncertain tax position is taken or expected to be taken on a tax return, but is not recognized in our Consolidated Financial Statements because it does not meet the more-likely-than-not recognition threshold that the uncertain tax position would be sustained upon examination by the applicable taxing authority. The majority of such unrecognized tax benefits originated from acquisitions and is based primarily upon management's assessment of exposure associated with acquired companies. Previously, any adjustments upon resolution of income tax uncertainties that predate or result from acquisitions were recorded as an increase or decrease to goodwill. On August 1, 2009, we adopted ASC Topic 805, "*Business Combinations,*" ("ASC 805"), which requires the resolution of income tax uncertainties that predate or result from acquisitions to be recognized in our results of operations beginning with fiscal 2010. Unrecognized tax benefits are analyzed periodically and adjustments are made as events occur to warrant adjustment to the related liability.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. On an ongoing basis, we evaluate the adequacy of our reserves and the estimates used in calculations of reserves as well as other judgmental financial statement items, including, but not limited to: collectability of accounts receivable; volume rebates and trade-in allowances; inventory values and obsolescence reserves; warranty reserves; depreciation and amortization periods; deferred income taxes; goodwill and intangible assets; impairment of long-lived assets; unrecognized tax benefits for uncertain tax positions; reserves for legal exposure; stock-based compensation; and expense accruals.

Acquisitions require significant estimates and judgments related to the fair value of assets acquired and liabilities assumed. Certain liabilities and reserves are subjective in nature. We reflect such liabilities and reserves based upon the most recent information available. In conjunction with our acquisitions, such subjective liabilities and reserves principally include certain income tax and sales and use tax exposures, including tax liabilities related to our foreign subsidiaries. The ultimate settlement of such liabilities may be for amounts which are different from the amounts recorded.

Recent Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, "*The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162,*" (codified as "ASC 105"). ASC 105 establishes the Accounting Standards Codification as the source of authoritative accounting literature recognized by the FASB to be applied by nongovernmental entities in addition to rules and interpretive releases of the Securities and Exchange Commission ("SEC"), which are sources of authoritative generally accepted accounting principles ("GAAP") for SEC registrants. All other non-grandfathered, non-SEC accounting literature not included in the codification will become non-authoritative. ASC 105 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of the financial statements. Following this statement, the FASB will issue new standards in the form of Accounting Standards Updates ("ASU"). This standard became effective for financial statements for interim and annual reporting periods ending after September 15, 2009 and therefore was adopted by us on August 1, 2009. As the codification was not intended to change or alter existing GAAP, it did not have any impact on our Consolidated Financial Statements.

In February 2010, the FASB issued ASU 2010-09, "*Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements,*" ("ASU 2010-09"). ASU 2010-09 addresses practical issues for SEC registrants with respect to management's review of subsequent events by no longer requiring SEC registrants to disclose the date through which management evaluated subsequent events in financial statements. This change alleviates potential conflicts with SEC guidance. ASU 2010-09 was effective immediately upon issuance for all financial statements that had

not been issued or had not become available to be issued. As ASU 2010-09 was not intended to change our subsequent events procedures, it did not have any impact on our Consolidated Financial Statements other than excluding the disclosure of the date through which management evaluated subsequent events in these financial statements.

In January 2010, the FASB issued ASU 2010-06, "*Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements,*" ("ASU 2010-06"). Reporting entities will have to provide information about movements of assets among Levels 1 and 2, and a reconciliation of purchases, sales, issuance, and settlements of activity valued with a Level 3 method, of the three-tier fair value hierarchy established by ASC 820, "*Fair Value Measurements and Disclosures,*" ("ASC 820"). ASU 2010-06 also clarifies the existing guidance to require fair value measurement disclosures for each class of assets and liabilities. ASU 2010-06 is effective for interim and annual reporting periods beginning after December 15, 2009 for Level 1 and 2 disclosure requirements, which was adopted in our third quarter of fiscal 2010, and after December 15, 2010 for Level 3 disclosure requirements, which we will adopt in our third quarter of fiscal 2011 if we have any assets valued with a Level 3 method. The adoption of ASU 2010-06 for Level 1 and 2 disclosure requirements did not have any impact upon our financial position, results of operations and financial statement disclosures due to the nature of our Level 1 assets and the lack of any assets valued with a Level 2 method.

In October 2009, the FASB issued ASU 2009-13, *"Revenue Recognition (Topic 605): Multiple-Deliverable Arrangements, a consensus of the FASB Emerging Issues Task Force,"* ("ASU 2009-13"), which amends ASC 605-25, "*Revenue Recognition-Multiple-Element Arrangements.*" ASU 2009-13 provides principles for the allocation of consideration among multiple-element arrangements, allowing more flexibility in identifying and accounting for separate deliverables. ASU 2009-13 introduces an estimated selling price method for allocating revenue to the elements of a bundled arrangement if vendor-specific objective evidence or third-party evidence of selling price is not available, and significantly expands related disclosure requirements. This standard is effective on a prospective basis for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, and therefore is effective for our fiscal 2011. We are currently in the process of evaluating the impact of ASU 2009-13 on our financial position and results of operations.

In December 2007, the FASB issued ASC 805, "*Business Combinations,*" ("ASC 805"), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. Some of the revised guidance of ASC 805 includes initial capitalization of acquired in-process research and development, expensing transaction and restructuring costs and recording contingent consideration payments at fair value, with subsequent adjustments recorded to net earnings. It also provides disclosure requirements to enable users of the financial statements to evaluate the nature and financial effects of the business combination. ASC 805 was effective for business combinations that occur during or after fiscal years beginning after December 15, 2008 and therefore was adopted by us on August 1, 2009. The adoption of ASC 805 did not have a material effect on our financial position or results of operations due to the small size and straight-forward nature of the terms of the Purity acquisition. However, any acquisitions we make in future periods will be subject to this new accounting guidance, which may materially affect our financial position or results of operations as compared to accounting guidance in effect prior to the adoption of ASC 805.

In September 2006, the FASB issued ASC 820. ASC 820 establishes a framework for measuring fair value, clarifies the definition of fair value, and requires additional disclosures about fair value measurements that are already required or permitted by other accounting standards (except for measurements of share-based payments) and is expected to increase the consistency of those measurements. ASC 820, as issued, was effective for fiscal years beginning after November 15, 2007 and therefore was adopted on August 1, 2008 with respect to recorded financial assets and financial liabilities. In February 2008, the effective date of ASC 820 was deferred for certain nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008 and therefore this portion of ASC 820 was adopted on August 1, 2009. The implementation of ASC 820 did not have a material impact on our financial position or results of operations at either date.

In August 2009, the FASB issued ASU 2009-05, which amends ASC 820. ASU 2009-05 provides amendments for fair value measurements of liabilities. It provides clarification that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more alternate techniques. ASU 2009-05 also clarifies that when estimating fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. ASU 2009-05 was effective for the first reporting period (including interim periods)

beginning after issuance and was adopted by us during our first quarter of fiscal 2010. The adoption of ASU 2009-05 did not have a material impact on our financial position or results of operations.

3. Acquisitions

Post-Fiscal 2010

Gambro Water

On October 6, 2010, our Mar Cor subsidiary acquired from Gambro certain net assets and the exclusive rights in the United States to manufacture and sell Gambro's water treatment products used in the production of water for hemodialysis. Immediately following the acquisition, we commenced sales and service of all Gambro water products, components, parts and consumables solely intended for the United States market. The manufacturing of these products will be transitioned into our own manufacturing facility in Plymouth, Minnesota over the next few months. With an installed base of over 1,200 water equipment customers in the United States and annual pre-acquisition revenues of approximately $14 million (approximately 80% of such revenues are from one customer), the Gambro Acquisition is anticipated to expand our Water Purification and Filtration's annual business by approximately 19% in terms of sales, particularly with respect to product and service sales volumes in both existing and new dialysis clinics across the United States. Total consideration for the transaction, excluding transaction costs, was approximately $23,750,000, of which $3,100,000 will be paid in six equal quarterly payments ending April 2012. The Gambro Acquisition will be included in our Water Purification and Filtration operating segment.

The reasons for the acquisition were as follows: (i) the expansion of our water purification product line, particularly in the area of cost effective heat sanitizing water purification equipment, (ii) the opportunity to add an installed equipment base of business into which we can (a) increase service revenue while improving the density and efficiency of the Mar Cor service network and (b) increase consumable sales per clinic; (iii) the potential revenue and cost savings synergies and efficiencies that could be realized through optimizing and combining the acquired assets (including Gambro employees) into Mar Cor; and (iv) the expectation that the acquisition will be accretive to our future earnings per share.

Since the acquisition was completed on October 6, 2010, the results of operations of Gambro Water are not included in our results of operations for any period presented herein. Pro forma consolidated statement of income data has not been presented due to the unavailability of pre-acquisition Gambro Water financial statements, since Gambro Water did not maintain separate financial statements related to these purchased assets, and the expected insignificant impact of this acquisition on our consolidated net income in fiscal 2011 subsequent to its acquisition date.

Fiscal 2010

Purity Water Company of San Antonio, Inc.

On June 1, 2010, Mar Cor acquired all of the issued and outstanding capital stock of Purity, a private company with pre-acquisition annual revenues of approximately $2,300,000 based in San Antonio, Texas that designs, installs and services high quality, high purity water systems for use in laboratory, industrial, medical, pharmaceutical and semiconductor environments. Total consideration for the transaction was $2,014,000.

The purchase price was allocated to the assets acquired and assumed liabilities based on estimated fair values as follows:

Net Assets	Preliminary Allocation
Current assets	$ 493,000
Property, plant and equipment	185,000
Amortizable intangible assets:	
Trade name (3-year life)	10,000
Non-compete agreement (5-year life)	38,000
Customer relationships (9-year life)	433,000
Current liabilities	(347,000)
Noncurrent deferred income tax liabilities, net	(15,000)
Net assets acquired	$ 797,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $1,217,000 was assigned to goodwill. Such goodwill, all of which is non-deductible for income tax purposes, has been included in our Water Purification and Filtration reporting segment.

The primary reason for the acquisition was to add a base of business and expand the Mar Cor service network in the southwest United States. Following the acquisition, Purity was merged with and into Mar Cor.

The acquisition of Purity is included in our results of operations in fiscal 2010 subsequent to its acquisition date and is excluded from our results of operations for fiscals 2009 and 2008. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

Fiscal 2009

G.E.M. Water Systems Int'l, LLC

On July 31, 2009, we purchased substantially all of the assets, including the building housing its operations, of G.E.M., a private company with pre-acquisition annual revenues of approximately $3,500,000 based in Buena Park, California that designs, installs and services high quality water and bicarbonate systems for use in dialysis clinics, hospitals and other healthcare facilities. The total consideration for the transaction, including transaction costs, was $4,468,000.

The purchase price was allocated to the assets acquired and assumed liabilities based on estimated fair values as follows:

Net Assets	Final Allocation
Current assets	$ 681,000
Property, plant and equipment	1,975,000
Amortizable intangible assets - customer relationships (9-year life)	951,000
Non-amortizable intangible assets - trade names (indefinite life)	203,000
Current liabilities	(808,000)
Net assets acquired	$ 3,002,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $1,466,000 was assigned to goodwill. Such goodwill, all of which is deductible for income tax purposes, has been included in our Water Purification and Filtration reporting segment.

The principal reason for the acquisition was the strengthening of our sales and service presence and base of business in California with a significant concentration of dialysis clinics and healthcare institutions.

The acquisition of G.E.M. is included in our results of operations in fiscal 2010. Since the acquisition of G.E.M. occurred on the last day of our fiscal 2009, its results of operations are excluded from fiscals 2009 and 2008, but its net assets are included in our Consolidated Balance Sheets at both July 31, 2010 and 2009. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

Fiscal 2008

Strong Dental Products, Inc.

On September 26, 2007, we expanded our product offerings in our Healthcare Disposables segment by purchasing all of the issued and outstanding stock of Strong Dental, a private company with pre-acquisition annual revenues of approximately $1,000,000 that designs, markets and sells comfort cushioning and infection control covers for x-ray film and digital x-ray sensors. The total consideration for the transaction, including transactions costs and assumption of debt, was $4,017,000. Under the terms of the purchase agreement, we agreed to pay additional purchase price up to $700,000 contingent upon the achievement of a specified revenue target over a three year period. As of July 31, 2010, none of the additional consideration had been earned.

The purchase price was allocated to the assets acquired and assumed liabilities based on estimated fair values as follows:

Net Assets	Final Allocation
Cash and cash equivalents	$ 306,000
Other current assets	140,000
Amortizable intangible assets:	
Patents (17-year life)	144,000
Customer relationships (10-year life)	650,000
Branded products (5-year life)	69,000
Non-compete agreements (6-year life)	30,000
Current liabilities	(147,000)
Noncurrent deferred income tax liabilities	(342,000)
Net assets acquired	$ 850,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $3,167,000 was assigned to goodwill. Such goodwill, all of which is non-deductible for income tax purposes, has been included in our Healthcare Disposables reporting segment.

The principal reasons for the acquisition were to (i) leverage the sales and marketing infrastructure of Crosstex by adding a branded, technologically differentiated, and patent-protected product line, (ii) expand into the rapidly growing area of digital radiography as dentists convert from film to digital x-rays, and (iii) add a new product line that focuses on the dental hygienist community, which product will aid in cross-selling the recently launched Patient's Choice™ line of Crosstex products.

Verimetrix, LLC

On September 17, 2007, we expanded our product offerings in our Endoscope Reprocessing (Medivators®) segment by purchasing certain net assets from Verimetrix, a private company with pre-acquisition annual revenues of $2,000,000 that designs, markets and sells the Veriscan™ System, an endoscope leak and fluid detection device. The total consideration for the transaction, including transaction costs, was $4,906,000. Under the terms of the purchase agreement, we agreed to pay additional purchase price up to $4,025,000 contingent upon the achievement of a specified cumulative revenue target over a six year period. As of July 31, 2010, none of the additional consideration had been earned.

The purchase price was allocated to the assets acquired and assumed liabilities based on estimated fair values as follows:

Net Assets	Final Allocation
Current assets	$ 948,000
Property and equipment	146,000
Amortizable intangible assets:	
Customer relationships (1-year life)	165,000
Branded products (3-year life)	281,000
Technology (17-year life)	532,000
Other assets	166,000
Current liabilities	(415,000)
Noncurrent liabilities	(65,000)
Net assets acquired	$ 1,758,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $3,148,000 was assigned to goodwill. Such goodwill, all of which is deductible for income tax purposes, has been included in our Endoscope Reprocessing reporting segment.

The principal reasons for the acquisition were to (i) add a technologically advanced product that fits squarely in our existing customer call pattern for Medivators products, (ii) leverage our national, direct hospital field sales force and their in-depth knowledge of the endoscopy market, and (iii) equip our sales force with a broad and comprehensive product line ranging from pre-cleaning detergents, flushing aids and leak testing equipment, to automated disinfection equipment and chemistries.

Dialysis Services, Inc.

On August 1, 2007, we purchased the water-related assets of DSI, a company with pre-acquisition annual revenues of approximately $1,200,000 based in Springfield, Tennessee that designs, installs and services high quality water and bicarbonate systems for use in dialysis clinics, hospitals and university settings. The total consideration for the transaction, including transaction costs, was $1,250,000.

The purchase price was allocated to the assets acquired and assumed liabilities based on estimated fair values as follows:

Net Assets	Final Allocation
Current assets	$ 122,000
Amortizable intangible assets:	
Customer relationships (4-year life)	182,000
Non-compete agreements (5-year life)	34,000
Property and equipment	73,000
Current liabilities	(18,000)
Net assets acquired	$ 393,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $857,000 was assigned to goodwill. Such goodwill, all of which is deductible for income tax purposes, has been included in our Water Purification and Filtration reporting segment.

The principal reason for the acquisition was the strengthening of our sales and service presence and base of business in a region with a significant concentration of dialysis clinics and healthcare institutions.

The acquisitions of DSI, Verimetrix and Strong Dental are included in our results of operations in fiscals 2010 and 2009 and the portion of fiscal 2008 subsequent to the respective acquisition dates. These acquisitions had an insignificant effect on our results of operations due to the small size of these businesses. Pro forma consolidated statements of income data for fiscal 2008 have not been presented due to the insignificant impact of these acquisitions individually and in the aggregate.

4. Inventories

A summary of inventories is as follows:

	July 31, 2010	July 31, 2009
Raw materials and parts	$ 14,003,000	$ 10,980,000
Work-in-process	5,153,000	3,074,000
Finished goods	15,466,000	15,146,000
Total	$ 34,622,000	$ 29,200,000

5. Financial Instruments

We account for derivative instruments and hedging activities in accordance with ASC 815, *"Derivatives and Hedging,"* ("ASC 815"), which requires the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not designated as hedges must be adjusted to fair value through earnings. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in the fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of the change in fair value of a derivative that is designated as a hedge will be recognized immediately in earnings. As of July 31, 2010, all of our derivatives were designated as hedges.

Changes in the value of (i) the Canadian dollar against the United States dollar, (ii) the euro against the United States dollar and (iii) the British pound against the United States dollar affect our results of operations because a portion of the net assets of our Canadian subsidiaries (which are reported in our Specialty Packaging and Water Purification and Filtration segments) and Minntech's Netherlands subsidiary (which are reported in our Dialysis and Endoscope Reprocessing segments) are denominated and ultimately settled in United States dollars but must be converted into its functional Canadian dollar or euro currency. Furthermore, as part of the restructuring of our Netherlands subsidiary, as further described in Note 18 to the Consolidated Financial Statements, certain cash bank accounts, accounts receivable and liabilities of our United States subsidiaries, Minntech and Mar Cor, are now denominated and ultimately settled in euros or British pounds but must be converted into our functional United States currency.

In order to hedge against the impact of fluctuations in the value of (i) the Canadian dollar relative to the United States dollar, (ii) the euro relative to the United States dollar and (iii) the British pound relative to the United States dollar on the conversion of such net assets into the functional currencies, we enter into short-term contracts to purchase Canadian dollars, euros and British pounds forward, which contracts are generally one month in duration. These short-term contracts are designated as fair value hedge instruments. There were three foreign currency forward contracts with an aggregate value of $4,254,000 at July 31, 2010, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on August 31, 2010. These foreign currency forward contracts are continually replaced with new one-month contracts as long as we have significant net assets at our subsidiaries that are denominated and ultimately settled in currencies other than their functional currencies. Under our credit facilities, such contracts to purchase Canadian dollars, euros and British pounds may not exceed $12,000,000 in an aggregate notional amount at any time. In fiscals 2010, 2009 and 2008, such forward contracts partially offset the impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies and resulted in a net currency conversion loss, net of tax, of $100,000, $200,000 and $230,000, respectively, on the items hedged. Gains and losses related to the hedging contracts to buy Canadian dollars, euros and British pounds forward were immediately realized within general and administrative expenses due to the short-term nature of such contracts. We do not hold any derivative financial instruments for speculative or trading purposes.

On August 1, 2008, we adopted ASC 820 for our financial assets and liabilities. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three level fair value hierarchy to prioritize the inputs used in valuations, as defined below:

Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The fair values of the Company's financial instruments measured on a recurring basis were categorized as follows:

	July 31, 2010			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Bank deposits and certificates of deposit	$ 17,696,000	$ -	$ -	$ 17,696,000
Money markets	4,916,000	-	-	4,916,000
Total cash and cash equivalents	$ 22,612,000	$ -	$ -	$ 22,612,000

	July 31, 2009			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Bank deposits and certificates of deposit	$ 11,821,000	$ -	$ -	$ 11,821,000
Money markets	11,547,000	-	-	11,547,000
Total cash and cash equivalents	$ 23,368,000	$ -	$ -	$ 23,368,000

As of July 31, 2010 and 2009, the carrying amounts for cash and cash equivalents, accounts receivable and accounts payable approximated fair value due to the short maturity of these instruments. We believe that as of July 31, 2010 and 2009, the fair value of our outstanding borrowings under our credit facilities approximated the carrying value of those obligations since the borrowing rates were comparable to market interest rates.

6. Intangibles and Goodwill

Our intangible assets with definite lives consist primarily of customer relationships, technology, brand names, non-compete agreements and patents. These intangible assets are being amortized on the straight-line method over the estimated useful lives of the assets ranging from 3-20 years and have a weighted average amortization period of 10 years. Amortization expense related to intangible assets was $5,105,000, $5,152,000 and $5,674,000 for fiscals 2010, 2009 and 2008, respectively. Our intangible assets that have indefinite useful lives and therefore are not amortized consist of trademarks and trade names.

The Company's intangible assets consist of the following:

	July 31, 2010		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 26,205,000	$ (12,102,000)	$ 14,103,000
Technology	9,267,000	(6,085,000)	3,182,000
Brand names	9,556,000	(4,829,000)	4,727,000
Non-compete agreements	1,901,000	(1,536,000)	365,000
Patents and other registrations	1,251,000	(307,000)	944,000
	48,180,000	(24,859,000)	23,321,000
Trademarks and tradenames	9,396,000	-	9,396,000
Total intangible assets	$ 57,576,000	$ (24,859,000)	$ 32,717,000

	July 31, 2009		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 26,977,000	$ (10,592,000)	$ 16,385,000
Technology	9,345,000	(5,304,000)	4,041,000
Brand names	9,546,000	(3,798,000)	5,748,000
Non-compete agreements	1,863,000	(1,223,000)	640,000
Patents and other registrations	1,140,000	(221,000)	919,000
	48,871,000	(21,138,000)	27,733,000
Trademarks and tradenames	9,309,000	-	9,309,000
Total intangible assets	$ 58,180,000	$ (21,138,000)	$ 37,042,000

Estimated annual amortization expense of our intangible assets for the next five years is as follows:

Year Ending July 31,	
2011	$ 4,820,000
2012	4,355,000
2013	4,281,000
2014	4,087,000
2015	3,912,000

Goodwill changed during fiscals 2010 and 2009 as follows:

	Water Purification and Filtration	Healthcare Disposables	Dialysis	Endoscope Reprocessing	All Other	Total Goodwill
Balance, July 31, 2008	$ 37,191,000	$ 50,473,000	$ 8,133,000	$ 9,648,000	$ 8,513,000	$ 113,958,000
Acquisitions	1,466,000	-	-	-	-	1,466,000
Earnout on acquisitions	-	157,000	-	-	-	157,000
Adjustments primarily relating to income tax exposure of acquisitions	(38,000)	-	-	-	-	(38,000)
Foreign currency translation	(244,000)	-	-	-	(304,000)	(548,000)
Balance, July 31, 2009	38,375,000	50,630,000	8,133,000	9,648,000	8,209,000	114,995,000
Acquisitions	1,217,000	-	-	-	-	1,217,000
Foreign currency translation	255,000	-	-	-	316,000	571,000
Balance, July 31, 2010	$ 39,847,000	$ 50,630,000	$ 8,133,000	$ 9,648,000	$ 8,525,000	$ 116,783,000

On July 31, 2010 and 2009, we performed impairment studies of the Company's goodwill, trademarks and trade names and concluded that such assets were not impaired.

7. Warranties

A summary of activity in the warranty reserves follows:

	Year Ended July 31,	
	2010	2009
Beginning balance	$ 949,000	$ 916,000
Acquisitions	10,000	10,000
Provisions	1,826,000	1,345,000
Charges	(1,605,000)	(1,281,000)
Foreign currency translation	1,000	(41,000)
Ending Balance	$ 1,181,000	$ 949,000

The warranty provisions and charges during fiscals 2010 and 2009 relate principally to the Company's endoscope reprocessing and water purification products. Warranty reserves are included in accrued expenses in the Consolidated Balance Sheets.

8. Financing Arrangements

In conjunction with the acquisition of Crosstex, we entered into amended and restated credit facilities dated as of August 1, 2005 (the "U.S. Credit Facilities") with a consortium of lenders to fund the cash consideration paid in the acquisition and costs associated with the acquisition, as well as to modify our existing United States credit facilities. The U.S. Credit Facilities, as amended, include (i) a six-year $40.0 million senior secured amortizing term loan facility expiring August 1, 2011 and (ii) a five-year $50.0 million senior secured revolving credit facility that was scheduled to expire on August 1, 2010. Amounts we repay under the term loan facility may not be re-borrowed. On May 28, 2010, we amended the U.S. Credit Facilities, which amendment included the extension of the termination date for the revolving credit facility to August 1, 2011. Debt issuance costs relating to the U.S. Credit Facilities were recorded in other assets and are being amortized over the life of the credit facilities. Such unamortized debt issuance costs amounted to approximately $297,000 at July 31, 2010.

At July 31, 2010, borrowings under the U.S. Credit Facilities bear interest at rates ranging from 0.50% to 1.50% above the lender's base rate, or at rates ranging from 1.50% to 2.50% above the London Interbank Offered Rate ("LIBOR"), depending upon our consolidated ratio of debt to earnings before interest, taxes, depreciation and amortization, and as further adjusted under the terms of the U.S. Credit Facilities ("EBITDA"). At July 31, 2010, the lender's base rate was 3.25% and the LIBOR rates applicable to our outstanding borrowings ranged from 0.35% to 1.21%. The margins applicable to our outstanding borrowings at July 31, 2010 were 0.50% above the lender's base rate and 1.50% above LIBOR. All of our outstanding borrowings were under LIBOR contracts at July 31, 2010. The U.S. Credit Facilities also provide for fees on the unused portion of our facilities at rates ranging from 0.20% to 0.40%, depending upon our consolidated ratio of debt to EBITDA; such rate was 0.20% at July 31, 2010.

The U.S. Credit Facilities require us to meet certain financial covenants and are secured by (i) substantially all of our U.S.-based assets (including assets of Cantel, Minntech, Mar Cor, Crosstex, and Strong Dental) and (ii) our pledge of all of the outstanding shares of Minntech, Mar Cor, Crosstex and Strong Dental and 65% of the outstanding shares of our foreign-based subsidiaries. Additionally, we are not permitted to pay cash dividends on our Common Stock in excess of $3,000,000 without the consent of our United States lenders. As of July 31, 2010, we were in compliance with all financial and other covenants under the U.S. Credit Facilities.

On July 31, 2010, we had $21,000,000 of outstanding borrowings under the U.S. Credit Facilities, which consisted of $10,000,000 and $11,000,000 under the term loan facility and the revolving credit facility, respectively, and $39,000,000 was available to be borrowed under our revolving credit facility. In September 2010, we repaid $6,000,000 under the revolving credit facility and $2,500,000 under our term loan facility reducing our total outstanding borrowings to $12,500,000 by the end of September. In October, we borrowed $20,500,000 under our revolving credit facility to fund a portion of the purchase price of the Gambro Acquisition. The maturities of our credit facilities are described in Note 10 to the Consolidated Financial Statements.

The U.S. Credit Facilities have a termination date of August 1, 2011. Although we may repay a portion of our outstanding borrowings throughout fiscal 2011, we do not presently anticipate paying off the revolving credit facility in full by its termination date. We are in discussions with our bank syndicate regarding modifications to such facility and expect to formally modify the facility before the expiration date. However, since any modification will not be completed until later in fiscal 2011, we will be required to reclassify the entire outstanding balance of the revolver from long-term to current in periods subsequent to July 31, 2010.

9. Income Taxes

The consolidated effective tax rate from operations was 36.8%, 37.6% and 37.2% for fiscals 2010, 2009, and 2008, respectively, and reflects income tax expense for our United States and international operations at their respective statutory rates.

The provision for income taxes from operations consists of the following:

	Year Ended July 31,					
	2010		2009		2008	
	Current	Deferred	Current	Deferred	Current	Deferred
United States:						
Federal	$ 11,884,000	$ (1,911,000)	$ 9,165,000	$ (1,282,000)	$ 5,336,000	$ (1,418,000)
State	1,417,000	(118,000)	1,610,000	(402,000)	1,081,000	(408,000)
Canada	410,000	(177,000)	545,000	(327,000)	657,000	(306,000)
Singapore	100,000	(19,000)	76,000	-	-	-
Netherlands	26,000	-	-	-	26,000	-
Japan	2,000	-	2,000	-	-	190,000
Total	$ 13,839,000	$ (2,225,000)	$ 11,398,000	$ (2,011,000)	$ 7,100,000	$ (1,942,000)

The geographic components of income from operations before income taxes are as follows:

	Year Ended July 31,		
	2010	2009	2008
United States	$ 30,016,000	$ 23,566,000	$ 13,330,000
Canada	1,030,000	1,296,000	1,563,000
Netherlands	106,000	(285,000)	(925,000)
Japan	(283,000)	(201,000)	(133,000)
Singapore	686,000	580,000	16,000
Total	$ 31,555,000	$ 24,956,000	$ 13,851,000

The effective tax rate from operations differs from the United States statutory tax rate (35.0% in 2010 and 2009 and 34.2% in 2008) due to the following:

	Year Ended July 31,		
	2010	2009	2008
Expected statutory tax	$ 11,044,000	$ 8,735,000	$ 4,737,000
Differential attributable to foreign operations:			
Canada	(126,000)	(235,000)	(186,000)
Netherlands	(11,000)	100,000	342,000
Japan	101,000	72,000	236,000
Singapore	(159,000)	(127,000)	(6,000)
State and local taxes	859,000	785,000	443,000
Extraterritorial income exclusion	-	-	(20,000)
Stock option expense	(96,000)	(193,000)	(101,000)
Tax reserve provision	165,000	-	(58,000)
Domestic production deduction	(447,000)	(449,000)	(219,000)
Taxes on foreign dividends	262,000	493,000	-
R&E tax credit	(72,000)	(197,000)	-
Change in our U.S. Federal tax rate	-	287,000	(41,000)
Other	94,000	116,000	31,000
Total income tax expense	$ 11,614,000	$ 9,387,000	$ 5,158,000

Deferred income tax assets and liabilities from operations are comprised of the following:

	July 31,	
	2010	2009
Current deferred tax assets:		
Accrued expenses	$ 1,268,000	$ 957,000
Inventories	968,000	929,000
Accounts receivable	327,000	385,000
Subtotal	2,563,000	2,271,000
Valuation allowance	(143,000)	(373,000)
	$ 2,420,000	$ 1,898,000
Non-current deferred tax assets:		
Other long-term liabilities	$ 456,000	$ 597,000
Stock-based compensation	1,868,000	2,595,000
Foreign tax credit	294,000	1,058,000
Domestic NOLs	167,000	-
Foreign NOLs	1,426,000	1,705,000
Subtotal	4,211,000	5,955,000
Valuation allowance	(1,615,000)	(2,466,000)
	2,596,000	3,489,000
Non-current deferred tax liabilities:		
Property and equipment	(5,306,000)	(5,841,000)
Intangible assets	(9,350,000)	(10,669,000)
Goodwill	(2,422,000)	(1,565,000)
Cumulative translation adjustment	(3,070,000)	(1,767,000)
Tax on unremitted foreign earnings	(316,000)	(25,000)
	(20,464,000)	(19,867,000)
Net non-current deferred tax liabilities	$ (17,868,000)	$ (16,378,000)

Deferred tax assets and liabilities have been adjusted for changes in statutory tax rates as appropriate. Such changes only have a significant impact in the United States, and to a lesser extent in Canada, where substantially all of our deferred tax items exist. Such deferred tax items existing in the United States reflect a combined U.S. Federal and state effective rate of approximately 37.7% and 38.1% for fiscals 2010 and 2009, respectively.

At July 31, 2010, we had net operating loss carryforwards ("NOLs") for domestic tax reporting purposes of $478,000 which originated from the Purity acquisition and will begin to expire on July 31, 2029. For foreign tax reporting purposes, our NOLs at July 31, 2010 are approximately $6,031,000. Of this amount NOLs from our Japanese subsidiary total approximately $1,065,000 and will begin to expire on July 31, 2013 and NOLs from our Netherlands subsidiary total approximately $4,966,000 and will begin to expire on July 31, 2016. During fiscal 2008, we decided to place a full valuation allowance against the NOLs of our Japanese subsidiary. Full valuation allowances have been established for all of the foreign NOLs as we currently believe it is more likely than not that we will not utilize such NOLs.

During fiscal 2010, no dividends were repatriated from our foreign subsidiaries. However, we have provided U.S. federal and state income taxes and foreign withholding taxes related to an anticipated repatriation from one of our Canadian subsidiaries in fiscal 2011. During fiscal 2009, we repatriated dividends of approximately $11,400,000 from our foreign subsidiaries for which we provided U.S. Federal and state income taxes and foreign withholding taxes. During fiscal 2008, no dividends were repatriated from our foreign subsidiaries.

We have a deferred tax asset of $294,000 related to a foreign tax credit that resulted from a dividend repatriation during fiscal 2006. This foreign tax credit carryover expires on July 31, 2016. A valuation allowance was established against the foreign tax credit in fiscal 2006. The valuation allowance decreased during fiscal 2010 by approximately $1,034,000. The decrease was mainly attributable to additional foreign source income generated during fiscal 2010 due to the foreign dividend repatriation and the fiscal 2011 anticipated repatriation for which taxes have been provided. As

we currently do not expect significant future additional foreign source income, a valuation allowance has been established for this foreign tax credit as we currently believe that it is more likely than not that we will not utilize such foreign tax credit.

We decreased our overall valuation allowances during fiscal 2010 by $1,081,000, from $2,839,000 at July 31, 2009 to $1,758,000 at July 31, 2010, primarily due to the decrease in the foreign tax credit valuation allowance.

A portion of the undistributed earnings of our foreign subsidiaries, which relate to our Canadian operations, amounting to approximately $7,867,000 was considered to be indefinitely reinvested at July 31, 2010. Accordingly, no provision has been made for United States income taxes that might result from repatriation of these earnings.

We record liabilities for an unrecognized tax benefit when a tax benefit for an uncertain tax position is taken or expected to be taken on a tax return, but is not recognized in our Consolidated Financial Statements because it does not meet the more-likely-than-not recognition threshold that the uncertain tax position would be sustained upon examination by the applicable taxing authority. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon settlement with the tax authorities. The majority of our unrecognized tax benefits originated from acquisitions. Previously, any adjustments upon resolution of income tax uncertainties that predate or result from acquisitions were recorded as an increase or decrease to goodwill. On August 1, 2009, we adopted ASC 805 which requires the resolution of income tax uncertainties that predate or result from acquisitions to be recognized in our results of operations beginning with fiscal 2010. However, if our unrecognized tax benefits are recognized in our financial statements in future periods, there would not be a significant impact to our overall effective tax rate due to the size of the unrecognized tax benefits in relation to our income before income taxes. Except for decreases due to the lapse of applicable statutes of limitation, we do not expect such unrecognized tax benefits to significantly decrease or increase in the next twelve months.

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits is as follows:

	Unrecognized Tax Benefits
Unrecognized tax benefits on July 31, 2008	$ 427,000
Lapse of statute of limitations	(47,000)
Unrecognized tax benefits on July 31, 2009	380,000
Lapse of statute of limitations	(172,000)
Unrecognized tax benefits on July 31, 2010	$ 208,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2004.

Our policy is to record potential interest and penalties related to income tax positions in interest expense and general and administrative expense, respectively, in our Consolidated Financial Statements. However, such amounts have been relatively insignificant due to the amount of our unrecognized tax benefits relating to uncertain tax positions.

10. Commitments and Contingencies

Long-term contractual obligations

As of July 31, 2010, aggregate annual required payments over the next five years and thereafter under our contractual obligations that have long-term components are as follows:

	Year Ended July 31, (Amounts in thousands)						
	2011	2012	2013	2014	2015	Thereafter	Total
Maturities of the credit facilities (1)	$ 10,000	$ 11,000	$ -	$ -	$ -	$ -	$ 21,000
Expected interest payments under the credit facilities (2)	340	1	-	-	-	-	341
Minimum commitments under noncancelable operating leases	3,181	2,375	1,705	1,370	1,005	5,574	15,210
Minimum commitments under noncancelable capital leases	14	-	-	-	-	-	14
Deferred compensation and other	406	264	38	33	34	132	907
Employment agreements	3,073	356	-	-	-	-	3,429
Total contractual obligations	$ 17,014	$ 13,996	$ 1,743	$ 1,403	$ 1,039	$ 5,706	$ 40,901

(1) As of July 31, 2010, annual required payments during the year ending July 31, 2012 represent the outstanding balance on the revolving credit facility since the May 28, 2010 amendment to our revolving credit facility extended the expiration date from August 1, 2010 to August 1, 2011. In September 2010, we repaid $6,000,000 under the revolving credit facility and $2,500,000 under our term loan facility reducing our total outstanding borrowings to $12,500,000 at the end of September. In October, we borrowed $20,500,000 under our revolving credit facility to fund a portion of the purchase price of the Gambro Acquisition thereby increasing total outstanding borrowings to $33,000,000. The remaining purchase price of $3,100,000 is payable in six equal quarterly payments ending April 2012.

(2) The expected interest payments under the term and revolving credit facilities reflect interest rates of 2.37% and 1.93%, respectively, which were our interest rates on outstanding borrowings at July 31, 2010.

Operating leases

Minimum commitments under operating leases include minimum rental commitments for our leased manufacturing facilities, warehouses, office space and equipment.

Six of the more significant leases that contain escalation clauses are two building leases for our Water Purification and Filtration business, two building leases for our Healthcare Disposables business and two building leases for our Specialty Packaging business. The two Water Purification and Filtration building leases are for the United States headquarters in suburban Philadelphia, Pennsylvania and the Canadian headquarters in suburban Toronto, Ontario. The lease for the Philadelphia building provides for monthly base rent of approximately $16,200 during fiscal 2011 and escalates annually to approximately $20,100 in fiscal 2025 when it expires. The Toronto building lease provides for monthly base rent of approximately $16,000 in fiscal 2011 and escalates to approximately $16,800 in fiscal 2015 when it expires. Both the Philadelphia and Toronto building leases are guaranteed by Cantel. The Healthcare Disposables segment has two significant building leases with escalation clauses that are used for manufacturing and warehousing. One building in Sharon, Pennsylvania provides for monthly base rent of approximately $18,100 during fiscal 2011 and escalates annually to approximately $20,800 in fiscal 2024 when it expires. The second building lease in Santa Fe Springs, California provides for monthly base rent of approximately $17,700 in fiscal 2011, escalating annually thereafter to approximately $19,300 in fiscal 2015 when it expires. Additionally, our Specialty Packaging segment has two significant building leases with escalation clauses that are used for manufacturing and warehousing. One building

lease in Edmonton, Alberta is a new lease beginning November 1, 2010 and provides for monthly base rent of approximately $8,100 escalating annually thereafter to approximately $9,049 in fiscal 2021 when it expires. The second building lease in Glen Burnie, Maryland provides for monthly base rent of $6,400 during fiscal 2011 and escalates annually to approximately $6,600 in fiscal 2013 when it expires.

Rent expense related to operating leases for fiscal 2010 was recorded on a straight-line basis and aggregated $3,875,000, compared with $3,679,000 and $3,466,000 for fiscals 2009 and 2008, respectively.

Deferred compensation

Included in other long-term liabilities are deferred compensation arrangements for certain former Minntech directors and officers.

Employment agreements

We have previously entered into various employment agreements with executives of the Company, including our Corporate executive officers and our subsidiary Chief Executive Officers. The majority of such contracts expired and were replaced effective January 1, 2010 with severance contracts that defined certain compensation arrangements relating to various employment termination scenarios.

11. Stock-Based Compensation

The following table shows the income statement components of stock-based compensation expense recognized in the Consolidated Statements of Income:

	Year Ended July 31,		
	2010	2009	2008
Cost of sales	$ 130,000	$ 70,000	$ 43,000
Operating expenses:			
Selling	410,000	216,000	123,000
General and administrative	2,560,000	2,884,000	1,778,000
Research and development	30,000	17,000	17,000
Total operating expenses	3,000,000	3,117,000	1,918,000
Stock-based compensation before income taxes	3,130,000	3,187,000	1,961,000
Income tax benefits	(1,137,000)	(1,226,000)	(758,000)
Total stock-based compensation expense, net of tax	$ 1,993,000	$ 1,961,000	$ 1,203,000
Decrease in earnings per common share due to stock-based compensation:			
Basic	$ 0.12	$ 0.12	$ 0.07
Diluted	$ 0.12	$ 0.12	$ 0.07

The above stock-based compensation expense before income taxes was recorded in the Consolidated Financial Statements as stock-based compensation expense and an increase to additional paid-in capital. The related income tax benefits (which pertain only to stock awards and options that do not qualify as incentive stock options) were recorded as an increase to long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) and a reduction to income tax expense.

On July 31, 2009, we extended the life of 456,001 fully vested "out-of-the-money" stock options previously awarded to certain executive officers (seven individuals in total) under our 1997 Employee Stock Option Plan. Such options were scheduled to expire within six months after July 31, 2009 and had exercise prices ranging from $17.14 to $22.93, which were greater than the closing price of $15.48 on July 31, 2009, the date the Compensation Committee of our Board of Directors authorized the modification. The sole modification was to extend the options' expiration dates to January 31, 2011. All other terms and conditions of the stock options remain the same. As a result of this modification, approximately $703,000 in additional stock-based compensation expense was recorded in our Consolidated Financial Statements on July 31, 2009, which decreased both basic and diluted earnings per share by $0.03.

Most of our stock options and stock awards (which consist only of restricted shares) are subject to graded vesting in which portions of the award vest at different times during the vesting period, as opposed to awards that vest at the end of the vesting period. We recognize compensation expense for awards subject to graded vesting using the straight-line basis over the vesting period, reduced by estimated forfeitures. At July 31, 2010, total unrecognized stock-based compensation expense, before income taxes, related to total nonvested stock options and stock awards was $3,812,000 with a remaining weighted average period of 20 months over which such expense is expected to be recognized.

We determine the fair value of each stock award using the closing market price of our Common Stock on the date of grant. Stock awards were not granted prior to February 1, 2007. Such stock awards are deductible for tax purposes and were tax-effected using the Company's estimated U.S. effective tax rate at the time of grant.

A summary of nonvested stock award activity follows:

	Number of Shares	Weighted Average Fair Value
Nonvested stock awards at July 31, 2007	175,000	$16.57
Granted	130,500	10.50
Canceled	(31,421)	16.25
Vested	(66,914)	16.53
Nonvested stock awards at July 31, 2008	207,165	12.81
Granted	101,000	14.59
Vested	(81,837)	13.42
Nonvested stock awards at July 31, 2009	226,328	13.38
Granted	47,825	15.97
Vested	(115,501)	13.76
Nonvested stock awards at July 31, 2010	158,652	$13.89

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option valuation model with the following assumptions for options granted during fiscals 2010, 2009 and 2008:

Weighted-Average Black-Scholes Option Valuation Assumptions	Year Ended July 31, 2010	2009	2008
Dividend yield (1)	0.06%	0.00%	0.00%
Expected volatility (2)	0.452	0.428	0.340
Risk-free interest rate (3)	1.96%	1.74%	2.91%
Expected lives (in years) (4)	3.68	4.06	3.87

(1) The weighted average dividend yield was 0.60% for options granted after the declaration of our first dividend in January 2010. Previously, we did not issue dividends and therefore the dividend yield was zero. The weighted average dividend yield for fiscal 2010 was 0.06%.
(2) Volatility was based on historical closing prices of our Common Stock.
(3) The U.S. Treasury rate based on the expected life at the date of grant.
(4) Based on historical exercise behavior.

Additionally, all options were considered to be deductible for tax purposes in the valuation model, except for certain incentive options granted under the 1997 Employee Plan and to employees residing outside of the United States. Such non-qualified options were tax-effected using the Company's estimated U.S. effective tax rate at the time of grant. In fiscals 2010, 2009 and 2008, the weighted average fair value of all options granted was $5.71, $5.12 and $3.35, respectively. The aggregate intrinsic value (i.e. the excess market price over the exercise price) of all options exercised was approximately $1,672,000, $1,241,000 and $2,361,000 in fiscals 2010, 2009 and 2008, respectively. The aggregate fair value of all options vested was approximately $1,069,000, $1,036,000 and $1,475,000 in fiscals 2010, 2009 and 2008, respectively.

A summary of stock option activity follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at July 31, 2007	1,848,846	$14.55
Granted	383,250	10.95
Canceled	(183,001)	16.68
Exercised	(291,303)	6.23
Expired	(3,375)	8.63
Outstanding at July 31, 2008	1,754,417	14.94
Granted	106,250	14.33
Canceled	(45,200)	17.16
Exercised	(263,292)	6.83
Expired	(46,453)	12.54
Outstanding at July 31, 2009	1,505,722	16.32
Granted	459,250	16.02
Canceled	(31,833)	17.35
Exercised	(340,876)	14.76
Expired	(164,400)	21.72
Outstanding at July 31, 2010	**1,427,863**	**$15.95**
Exercisable at July 31, 2008	1,137,624	$16.28
Exercisable at July 31, 2009	1,049,657	$17.86
Exercisable at July 31, 2010	**778,864**	**$16.76**

As of July 31, 2010, 1,367,181 of the outstanding options had vested or were expected to vest in future periods and had a weighted average exercise price of $15.96.

Upon exercise of stock options or grant of stock awards, we typically issue new shares of our Common Stock (as opposed to using treasury shares).

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its income tax return. Accordingly, we account for the income tax effect on such income tax deductions as additional paid-in capital or a reduction of deferred income tax assets (which are netted with long-term deferred income tax liabilities) and as a reduction of income taxes payable. In fiscals 2010 and 2009, such income tax deductions reduced income taxes payable by $1,287,000 and $745,000, respectively.

We classify the cash flows resulting from excess tax benefits as financing cash flows on our Consolidated Statements of Cash Flows. Excess tax benefits arise when the ultimate tax effect of the deduction for tax purposes is greater than the tax benefit on stock compensation expense (including tax benefits on stock compensation expense that has only been reflected in past pro forma disclosures relating to fiscal years prior to August 1, 2005) which was determined based upon the award's fair value.

The following table summarizes additional information related to stock options outstanding at July 31, 2010:

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	Number Outstanding at July 31, 2010	Weighted Average Remaining Contractual Life (Months)	Weighted Average Exercise Price	Number Exercisable At July 31, 2010	Weighted Average Remaining Contractual Life (Months)	Weighted Average Exercise Price
$8.23 - $11.58	267,612	34	$ 10.39	170,234	34	$ 10.33
$14.13 - $19.79	807,750	40	$ 15.72	256,129	22	$ 15.60
$20.10 - $29.49	352,501	6	$ 20.70	352,501	6	$ 20.70
$8.23 - $29.49	1,427,863	30	$ 15.95	778,864	17	$ 16.76
Total Intrinsic Value	$ 1,834,000			$ 1,175,000		

A summary of our stock award plans follows:

2006 Equity Incentive Plan

On January 10, 2007, the Company terminated our existing stock option plans and adopted the Cantel Medical Corp. 2006 Equity Incentive Plan (the "2006 Plan"). The 2006 Plan provides for the granting of stock options (including incentive stock options), restricted stock awards, stock appreciation rights and performance-based awards (collectively "equity awards") to our employees and non-employee Directors. The 2006 Plan does not permit the granting of discounted options or discounted stock appreciation rights. On December 17, 2009, our stockholders approved an amendment to the 2006 Plan that increased the number of shares of Common Stock available for issuance under the 2006 Plan by 385,000. The maximum number of shares as to which stock options and stock awards may be granted under the 2006 Plan is 2,085,000 shares, of which 1,200,000 shares are authorized for issuance pursuant to stock options and stock appreciation rights and 885,000 shares are authorized for issuance pursuant to restricted stock and other stock awards. Stock options outstanding under this plan:

- were granted at the closing market price at the time of the grant,
- were granted as stock options that do not qualify as incentive stock options,
- as to options granted to employees, are exercisable in three or four equal annual installments commencing on the first anniversary of the grant date,
- include option grants of 750 shares on the last day of each of our fiscal quarters to each non-employee director who attended that quarter's regularly scheduled Board of Directors meeting (exercisable on the first anniversary of the grant date),
- include option grants of 1,500 shares on the last day of our fiscal year to each member of our Board of Directors (50% are exercisable on the first anniversary of the grant date and 50% are exercisable on the second anniversary of the grant date),
- include option grants of 15,000 shares to each newly appointed or elected director (exercisable in three equal annual installments commencing on the first anniversary of the grant date),
- generally terminate three months following termination of employment or service as a non-employee director, and
- expire five years from the date of the grant.

Commencing November 1, 2009, quarterly options are no longer granted to non-employee directors and, commencing July 31, 2010, the annual grants of 1,500 options to non-employee directors was changed to grants of 4,500 options that are exercisable in full on the first anniversary of the grant date.

Restricted stock shares outstanding under this plan are subject to risk of forfeiture solely due to an employment length-of-service restriction, with such restriction lapsing as to one-third of the shares on each of the first three anniversaries of the grant date subject to being employed by the Company through such vesting date. At July 31, 2010, options to

purchase 922,362 shares of Common Stock were outstanding, and 158,652 unvested restricted stock shares were outstanding, under the 2006 Plan. At July 31, 2010, 193,583 shares are available for issuance pursuant to stock options and stock appreciation rights and 462,096 shares are available for issuance pursuant to restricted stock and other stock awards. The 2006 Plan expires on November 13, 2016.

1997 Employee Plan

A total of 3,750,000 shares of Common Stock was originally reserved for issuance or available for grant under our 1997 Employee Stock Option Plan, as amended, which was terminated on January 10, 2007 in conjunction with the adoption of the 2006 Plan. Options outstanding under this plan:

- were granted at the closing market price at the time of the grant,
- were granted either as incentive stock options or stock options that do not qualify as incentive stock options,
- are exercisable in three or four equal annual installments commencing on the first anniversary of the grant date,
- generally terminate three months following termination of employment, and
- expire five years from the date of the grant.

At July 31, 2010, options to purchase 477,751 shares of Common Stock were outstanding under the 1997 Employee Stock Option Plan. No additional options will be granted under this plan.

1998 Directors' Plan

A total of 450,000 shares of Common Stock was originally reserved for issuance or available for grant under our 1998 Directors' Stock Option Plan, as amended, which was terminated on January 10, 2007 in conjunction with the adoption of the 2006 Plan. Options outstanding under this plan:

- were granted to directors at the closing market price at the time of grant,
- include option grants of 15,000 shares to each newly appointed or elected director (exercisable in three equal annual installments commencing on the first anniversary of the grant date),
- include option grants of 750 shares on the last day of each of our fiscal quarters to each non-employee director who attended that quarter's regularly scheduled Board of Directors meeting (exercisable on the grant date),
- include option grants of 1,500 shares on the last day of our fiscal year to each member of our Board of Directors (50% are exercisable on the first anniversary of the grant date and 50% are exercisable on the second anniversary of the grant date),
- have a term of ten years if granted prior to July 31, 2000 or five years if granted on or after July 31, 2000, and
- do not qualify as incentive stock options.

At July 31, 2010, options to purchase 27,750 shares of Common Stock were outstanding under the 1998 Directors' Stock Option Plan. No additional options will be granted under this plan.

12. Accumulated Other Comprehensive Income

The Company's comprehensive income for fiscals 2010, 2009 and 2008 is set forth in the following table:

	Year Ended July 31,		
	2010	2009	2008
Net income	$ 19,941,000	$ 15,569,000	$ 8,693,000
Other comprehensive (loss) income:			
Unrealized loss on interest cap, net of tax	-	(93,000)	-
Realized loss on interest cap, net of tax	-	93,000	-
Foreign currency translation, net of tax	(236,000)	(2,010,000)	1,797,000
Comprehensive income	$ 19,705,000	$ 13,559,000	$ 10,490,000

We purchased an interest rate cap agreement at the end of our fiscal 2008, which capped three-month LIBOR on outstanding borrowings under our term loan facility at 4.25%. In July 2009, this interest rate cap agreement was determined to be ineffective since the interest rates on substantially all of our outstanding borrowings under our term loan facility were protected under LIBOR contracts substantially below 4.25%. Accordingly, we reclassified the ineffective portion of the change in fair value of the interest rate cap agreement from an unrealized loss in accumulated other comprehensive income into a recognized loss in interest expense in the Consolidated Statements of Income.

For purposes of translating the balance sheet at July 31, 2010 compared with July 31, 2009, the value of the Canadian dollar increased and the euro decreased by approximately 4.7% and 7.2%, respectively, compared with the value of the United States dollar. The total of these currency movements increased the accumulated translation adjustment before tax. However, due to a tax adjustment relating to foreign repatriations, the accumulated translation adjustment decreased by $236,000 during fiscal 2010 to $8,045,000 at July 31, 2010, from $8,281,000 at July 31, 2009.

13. Earnings Per Common Share

Basic EPS are computed based upon the weighted average number of common shares outstanding during the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding during the year plus the dilutive effect of Common Stock equivalents using the treasury stock method and the average market price of our Common Stock for the year.

In June 2008, the FASB issued ASC 260-10-45, which provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of EPS pursuant to the two-class method, a change that reduces both basic and diluted EPS. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. Previously, we excluded unvested restricted stock awards in the calculation of basic EPS and included such awards in diluted EPS under the treasury stock method. ASC 260-10-45 was effective for fiscal years beginning after December 15, 2008 and therefore was adopted on August 1, 2009. All prior period EPS data presented have been adjusted retrospectively to conform to the provisions of ASC 260-10-45. In fiscals 2009 and 2008, such retrospective application caused an insignificant increase in the denominator of our weighted average shares calculation, which decreased previously reported basic EPS in fiscals 2009 and 2008 from $0.96 to $0.94 and $0.54 to $0.53, respectively, but had no impact on previously reported diluted EPS.

The following table sets forth the computation of basic and diluted EPS available to shareholders of common stock (excluding participating securities):

	Year Ended July 31,		
	2010	2009	2008
Numerator for basic and diluted earnings per share:			
Net income	$ 19,941,000	$ 15,569,000	$ 8,693,000
Less income allocated to participating securities	(260,000)	(218,000)	(85,000)
Net income available to common shareholders	$ 19,681,000	$ 15,351,000	$ 8,608,000
Denominator for basic and diluted earnings per share, as adjusted for participating securities:			
Denominator for basic earnings per share - weighted average number of shares outstanding attributable to common stock	16,554,109	16,287,446	16,116,360
Dilutive effect of stock options using the treasury stock method and the average market price for the period	190,217	57,172	163,944
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	16,744,326	16,344,618	16,280,304
Earnings per share attributable to common stock:			
Basic earnings per share	$ 1.19	$ 0.94	$ 0.53
Diluted earnings per share	$ 1.18	$ 0.94	$ 0.53
Stock options excluded from weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	671,901	1,308,140	1,324,351

A reconciliation of weighted average number of shares and common stock equivalents attributable to common stock, as determined above, to the Company's total weighted average number of shares and common stock equivalents, including participating securities, are set forth in the following table:

	Year Ended July 31,		
	2010	2009	2008
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	16,744,326	16,344,618	16,280,304
Participating securities	223,315	231,718	160,022
Total weighted average number of shares and common stock equivalents attributable to both common stock and participating securities	16,967,641	16,576,336	16,440,326

14. Repurchase of Shares

In May 2008, our Board of Directors approved the repurchase of up to 500,000 shares of our outstanding Common Stock under a repurchase program commencing on June 9, 2008. Under the repurchase program we repurchased shares from time-to-time at prevailing prices and as permitted by applicable securities laws (including SEC Rule 10b-18) and New York Stock Exchange requirements, and subject to market conditions. The repurchase program had a one-year term that expired on June 8, 2009.

The first repurchase under our repurchase program occurred on July 11, 2008. Through July 31, 2008, we completed the repurchase of 90,700 shares under the program at a total average price per share of $9.42. We repurchased an additional 43,847 shares through October 31, 2008 at a total average price per share of $9.17. No additional repurchases were made subsequent to the end of our first quarter ended October 31, 2008. Therefore, at the conclusion of the repurchase program on June 8, 2009, we had repurchased 134,547 shares under the repurchase program at a total average price per share of $9.34.

The Company does not currently have a publicly announced stock repurchase program. All of the shares purchased during fiscal 2010 represent shares surrendered to the Company to pay employee withholding taxes due upon the vesting of restricted stock or the exercise of stock options that do not qualify as incentive stock options.

15. Retirement Plans

We have 401(k) Savings and Retirement Plans for the benefit of eligible United States employees. Additionally, our Canadian subsidiaries maintain profit sharing plans for the benefit of eligible employees. Contributions by the Company are both discretionary and non-discretionary and are limited in any year to the amount allowable by tax authorities in the United States or Canada.

Aggregate employer contributions recognized under these plans were $1,671,000, $1,745,000 and $1,315,000 for fiscals 2010, 2009 and 2008, respectively.

16. Supplemental Cash Flow Information

Interest paid was $919,000, $2,256,000 and $4,332,000 for fiscals 2010, 2009 and 2008, respectively.

Income tax payments were $12,712,000, $10,602,000 and $5,774,000 for fiscals 2010, 2009 and 2008, respectively.

17. Information as to Operating Segments and Foreign and Domestic Operations

We are a leading provider of infection prevention and control products and services in the healthcare market. Our products include specialized medical device reprocessing systems for renal dialysis and endoscopy, dialysate concentrates and other dialysis supplies, water purification equipment, sterilants, disinfectants and cleaners, hollow fiber membrane filtration and separation products for medical and non-medical applications, and specialty packaging for infectious and biological specimens. We also provide technical maintenance for our products and offer compliance training services for the transport of infectious and biological specimens.

In accordance with FASB ASC Topic 280, "*Segment Reporting,*" ("ASC 280"), we have determined our reportable business segments based upon an assessment of product types, organizational structure, customers and internally prepared financial statements. The primary factors used by us in analyzing segment performance are net sales and operating income.

During fiscal 2010, we changed our internal reporting processes to include a new operating segment called Chemistries to reflect the way the Company, through its executive management, manages, allocates resources and measures the performance of its businesses. This new operating segment is the combination of a small portion of our existing sterilant business, comprised of products sold on an OEM basis and previously recorded in our Water Purification and Filtration segment, and a new business operation that was created to capitalize on our chemistry expertise and expand our product offerings in existing and new markets within the infection prevention and control arena. All periods presented have been restated to reflect this change.

The Company's segments are as follows:

Water Purification and Filtration, which includes water purification equipment design and manufacturing, project management, installation, maintenance, deionization and mixing systems, as well as hollow fiber filter devices and ancillary products for high-purity fluid and separation applications for healthcare (with a large concentration in dialysis), pharmaceutical, biotechnology, research, beverage, semiconductor and other commercial industries. Additionally, this segment includes cold sterilant products used to disinfect high-purity water systems.

One customer accounted for approximately 24% of our Water Purification and Filtration segment net sales and approximately 7% of our consolidated net sales in fiscal 2010.

Healthcare Disposables, which includes single-use infection prevention and control products used principally in the dental market such as face masks, sterilization pouches, patient towels and bibs, self-sealing sterilization pouches, tray covers, surface barriers including eyewear, aprons and gowns, disinfectants, germicidal wipes, hand care products, gloves, sponges, cotton products, cups, needles and syringes, scalpels and blades, and saliva evacuators and ejectors.

Four customers collectively accounted for approximately 55% of our Healthcare Disposables segment net sales and approximately 14% of our consolidated net sales in fiscal 2010.

Endoscope Reprocessing, which includes endoscope disinfection equipment and related accessories, disinfectants and supplies that are sold to hospitals, clinics and physicians. Additionally, this segment includes technical maintenance service on its products.

Dialysis, which includes disinfection/sterilization reprocessing equipment, sterilants, supplies and concentrates related to hemodialysis treatment of patients with acute kidney failure or chronic kidney failure associated with end-stage renal disease. Additionally, this segment includes technical maintenance service on its products.

One customer collectively accounted for approximately 33% of our Dialysis segment net sales and approximately 8% of our consolidated net sales in fiscal 2010.

All Other

In accordance with quantitative thresholds established by ASC 280, we have combined for reporting purposes the Therapeutic Filtration, Specialty Packaging and Chemistries operating segments into the All Other reporting segment.

> **Therapeutic Filtration**, which includes hollow fiber filter devices and ancillary products for use in medical applications that are sold to biotech manufacturers and third-party distributors.
>
> **Specialty Packaging**, which includes specialty packaging and thermal control products, as well as related compliance training, for the safe transport of infectious and biological specimens and thermally sensitive pharmaceutical, medical and other products.
>
> **Chemistries,** which includes sterilants, disinfectants, detergents and decontamination services used in various applications for infection prevention and control.

The operating segments follow the same accounting policies used for our Consolidated Financial Statements as described in Note 2.

Information as to operating segments is summarized below:

	Year Ended July 31,		
	2010	2009	2008
Net sales:			
Water Purification and Filtration	$ 74,527,000	$ 68,941,000	$ 66,323,000
Healthcare Disposables	69,729,000	64,085,000	58,657,000
Endoscope Reprocessing	65,577,000	52,333,000	46,924,000
Dialysis	44,667,000	56,414,000	60,075,000
All Other	19,452,000	18,277,000	17,395,000
Total	$ 273,952,000	$ 260,050,000	$ 249,374,000
Operating Income:			
Water Purification and Filtration	$ 7,698,000	$ 6,055,000	$ 4,975,000
Healthcare Disposables	12,104,000	9,489,000	7,357,000
Endoscope Reprocessing	7,575,000	5,927,000	1,281,000
Dialysis	10,201,000	10,679,000	8,620,000
All Other	4,104,000	3,888,000	3,950,000
	41,682,000	36,038,000	26,183,000
General corporate expenses	(9,017,000)	(8,587,000)	(8,216,000)
Interest expense, net	(1,110,000)	(2,495,000)	(4,116,000)
Income before income taxes	$ 31,555,000	$ 24,956,000	$ 13,851,000

	July 31,		
	2010	2009	2008
Identifiable assets:			
Water Purification and Filtration	$ 75,920,000	$ 71,628,000	$ 70,315,000
Healthcare Disposables	97,163,000	100,279,000	104,377,000
Endoscope Reprocessing	36,208,000	33,379,000	31,546,000
Dialysis	28,076,000	29,622,000	32,536,000
All Other	19,602,000	18,582,000	20,642,000
General corporate, including cash and cash equivalents	23,696,000	24,381,000	19,774,000
Total	$ 280,665,000	$ 277,871,000	$ 279,190,000

	Year Ended July 31,		
	2010	2009	2008
Capital expenditures:			
Water Purification and Filtration	$ 1,909,000	$ 1,257,000	$ 1,352,000
Healthcare Disposables	1,731,000	1,071,000	952,000
Endoscope Reprocessing	605,000	801,000	869,000
Dialysis	930,000	853,000	1,429,000
All Other	426,000	231,000	356,000
General corporate	4,000	2,000	25,000
Total	$ 5,605,000	$ 4,215,000	$ 4,983,000

	Year Ended July 31,		
	2010	2009	2008
Depreciation and amortization:			
Water Purification and Filtration	$ 2,587,000	$ 2,336,000	$ 2,319,000
Healthcare Disposables	5,600,000	5,490,000	5,375,000
Endoscope Reprocessing	1,106,000	1,188,000	1,458,000
Dialysis	1,364,000	1,482,000	1,617,000
All Other	749,000	836,000	926,000
General corporate	32,000	37,000	37,000
Total	$ 11,438,000	$ 11,369,000	$ 11,732,000

Information as to geographic areas (including net sales which represent the geographic area from which the Company derives its net sales from external customers) is summarized below:

	Year Ended July 31,		
	2010	2009	2008
Net sales:			
United States	$ 225,725,000	$ 214,909,000	$ 203,087,000
Canada	13,225,000	10,476,000	11,217,000
Asia/Pacific	13,082,000	11,103,000	10,247,000
Europe/Africa/Middle East	17,772,000	13,366,000	15,905,000
Latin America/South America	4,148,000	10,196,000	8,918,000
Total	$ 273,952,000	$ 260,050,000	$ 249,374,000

	July 31,		
	2010	2009	2008
Total long-lived assets:			
United States	$ 34,779,000	$ 35,398,000	$ 35,698,000
Canada	1,223,000	1,219,000	1,435,000
Asia/Pacific	288,000	170,000	122,000
Europe	144,000	137,000	2,162,000
Total	36,434,000	36,924,000	39,417,000
Goodwill and intangible assets	149,500,000	152,037,000	155,212,000
Total	$ 185,934,000	$ 188,961,000	$ 194,629,000

18. Restructuring Activities

During the fourth quarter of fiscal 2008, our management approved and initiated plans to restructure our Netherlands subsidiary by relocating all of our manufacturing operations from the Netherlands to the United States. This action is part of our continuing effort to reduce operating costs and improve efficiencies by leveraging the existing infrastructure of our Minntech operations in Minnesota. The elimination of manufacturing operations in the Netherlands has led to the end of onsite material management, quality assurance, finance and accounting, human resources and some customer service functions. However, we continue to maintain a strong marketing, sales, service and technical support presence based in the Netherlands to serve customers throughout Europe, the Middle East and Africa.

In fiscals 2009 and 2008, we recorded $345,000 and $365,000, respectively, in restructuring costs, which decreased both basic and diluted earnings per share by approximately $0.02 in both years. In fiscal 2009, $163,000 was recorded in cost of sales and $182,000 was recorded in general and administrative expenses. In fiscal 2008, $275,000 was recorded in cost of sales and $90,000 was recorded in general and administrative expenses. The restructuring plan was completed by July 31, 2009 and we have not incurred any additional restructuring costs since that date. The majority of the restructuring costs were included in our Endoscope Reprocessing segment. Since the above costs were recorded in our Netherlands subsidiary, which had been experiencing losses from its operations, tax benefits on the above costs were not recorded.

As part of the restructuring plan, we sold our Netherlands building and land on May 19, 2009 and entered into a lease for 2.5 years with the new owner so we can continue to use the facility as our European sales and service headquarters as well as for warehouse and distribution activity. The sale of the building and land resulted in a gain of $146,000, which is being amortized over the life of the lease and is recorded in deferred revenue and other long-term liabilities. The rent for the full 2.5 year lease of $325,000 was paid from the sale proceeds and recorded in prepaid expenses and other assets.

19. Quarterly Results of Operations (unaudited)

The following is a summary of the quarterly results of operations for the years ended July 31, 2010 and 2009:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010				
Net sales	$ 70,995,000	$ 66,587,000	$ 66,559,000	$ 69,811,000
Cost of sales	41,537,000	39,463,000	39,866,000	42,115,000
Gross profit	29,458,000	27,124,000	26,693,000	27,696,000
Gross profit percentage	*41.5%*	*40.7%*	*40.1%*	*39.7%*
Net income	$ 6,168,000	$ 4,876,000	$ 4,274,000	$ 4,623,000
Earnings per common share:				
Basic (1)	$ 0.37	$ 0.29	$ 0.25	$ 0.27
Diluted	$ 0.37	$ 0.29	$ 0.25	$ 0.27

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2009				
Net sales	$ 64,406,000	$ 62,420,000	$ 66,431,000	$ 66,793,000
Cost of sales	40,783,000	38,809,000	40,908,000	40,071,000
Gross profit	23,623,000	23,611,000	25,523,000	26,722,000
Gross profit percentage	*36.7%*	*37.8%*	*38.4%*	*40.0%*
Net income	$ 3,333,000	$ 3,774,000	$ 4,183,000	$ 4,279,000
Earnings per common share:				
Basic	$ 0.20	$ 0.23	$ 0.25	$ 0.26
Diluted	$ 0.20	$ 0.23	$ 0.25	$ 0.26

(1) The summation of quarterly earnings per share does not necessarily equal the fiscal year earnings per share due to rounding.

20. Legal Proceedings

In the normal course of business, we are subject to pending and threatened legal actions. It is our policy to accrue for amounts related to these legal matters if it is probable that a liability has been incurred and an amount of anticipated exposure can be reasonably estimated. We do not believe that any of these pending claims or legal actions will have a material adverse effect on our business, financial condition, results of operations or cash flows.

21. Convertible Note Receivable

In February 2009, we invested an initial $200,000 in a senior subordinated convertible promissory note issued by BIOSAFE, Inc. ("BIOSAFE"), in connection with BIOSAFE's grant to us of certain exclusive and non-exclusive license rights to BIOSAFE's antimicrobial additive. BIOSAFE is the owner of a patented and proprietary antimicrobial agent that is built into the manufacturing of end-products to achieve long-lasting microbial protection on such end-products' surface. As a result of BIOSAFE's successful raising of a minimum incremental amount of cash following our investment, we invested an additional $300,000 in notes of BIOSAFE in January 2010 bringing the aggregate investment in BIOSAFE notes to $500,000, as obligated under our agreement with BIOSAFE. We are not obligated to invest any additional funds.

The notes are convertible into a newly-created series of preferred stock of BIOSAFE. Interest is payable in shares of BIOSAFE stock or in cash. The notes accrue interest at a per annum rate of 8% until the maturity date of June 30, 2011 or earlier exercise. If not paid by the maturity date, interest will accrue thereafter at a rate of 12% per annum. In connection with our investment, we entered into a license agreement with BIOSAFE under which we will pay BIOSAFE a fixed royalty percentage of sales of our products containing BIOSAFE's antimicrobial formulation. This investment, together with the accrued interest, is included within other assets in our Consolidated Balance Sheet at July 31, 2010 and 2009. The carrying value of this investment approximates fair value due to the short maturity of the notes and the relative consistent underlying value of BIOSAFE.

CANTEL MEDICAL CORP.

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Period	Additions	(Deductions)	Translation Adjustments	Balance at End of Period
Allowance for doubtful accounts:					
Year ended July 31, 2010	$ 1,080,000	$ 59,000 (1)	$ (276,000)	$ 7,000	$ 870,000
Year ended July 31, 2009	$ 1,021,000	$ 309,000	$ (207,000)	$ (43,000)	$ 1,080,000
Year ended July 31, 2008	$ 927,000	$ 404,000	$ (351,000)	$ 41,000	$ 1,021,000

(1) The significantly lower amount of additions in fiscal 2010, as compared with fiscals 2009 and 2008, was primarily due to the collection of several large delinquent receivables, which had been reserved in past fiscal years.

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Corporate Information

Directors

Charles M. Diker
Chairman of the Board
Co-Managing Partner—
Diker Management LLC

George L. Fotiades[2]
Vice Chairman of the Board
Operating Partner—Chairman of Healthcare investments at Diamond Castle Holdings, LLC

Robert L. Barbanell[1,2]
President—Robert L. Barbanell Associates, Inc.

Alan R. Batkin[1,3,4]
Vice Chairman—Eton Park Capital Management, L.P.

Joseph M. Cohen[2,3]
Chairman—JM Cohen & Co.

Mark N. Diker
Co-Managing Partner—
Diker Management LLC

Alan J. Hirschfield[3]
Private Investor and Consultant

Andrew A. Krakauer
President and Chief Executive Officer

Bruce Slovin[1]
President—1 Eleven Associates, LLC

[1] Audit Committee
[2] Nominating & Governance Committee
[3] Compensation Committee
[4] Presiding Independent Director

Corporate Officers

Charles M. Diker
Chairman

Andrew A. Krakauer
President and Chief Executive Officer

Seth R. Segel
Executive Vice President

Eric W. Nodiff
Senior Vice President, General Counsel and Secretary

Craig A. Sheldon
Senior Vice President, Chief Financial Officer and Treasurer

Steven C. Anaya
Vice President and Controller

Matthew J. Conlon
Vice President—Market Development

Joanna Zisa-Albrecht
Assistant Secretary

Minntech Corporation

Roy K. Malkin
President and Chief Executive Officer

Paul E. Helms
Executive Vice President

Denise A. Bauer
Senior Vice President, Human Resources

Kevin B. Finkle
Senior Vice President, Finance and Administration and Treasurer

A. Paul Harding
Senior Vice President and General Manager, Medivators Reprocessing Systems

Javier Henao
Senior Vice President and General Manager, Renal Systems Group

Craig B. Smith
Senior Vice President, Corporate Regulatory Affairs and Quality Assurance

Terrence S. Mistalski
Vice President, Global Marketing and Business Development, Medivators Reprocessing Systems

LuAnn Petersen
Vice President, Supply Chain Logistics

Michael P. Petersen
Vice President, Research and Development

Randal M. Wenthold
Vice President, Therapeutic Technologies Group

Masaki (Mike) Kitamura
Representative Director and Managing Director, Minntech Japan

John Piontkowski
Vice President and Managing Director, Minntech Asia/Pacific Pte Ltd

Mar Cor Purification, Inc.

Curtis D. Weitnauer
President and Chief Executive Officer

Christopher J. Fournier
Vice President, Marketing

Kathryn D. McIsaac
Vice President, Finance

John A. Rickert
Vice President, Sales—Medical

Benjamin J. Roczniak
Vice President, Sales—Commercial & Industrial and International

Andrew G. Stitzinger
Vice President, U.S. Field Service

Sean J. West
Vice President, U.S. Operations

Jeffrey Conrad
Controller

Crosstex International, Inc.

Gary D. Steinberg
Chief Executive Officer

Mitchell V. Steinberg
President

Douglas T. Carpenter
Vice President, Finance and Treasurer

Sheldon M. Fisher
Vice President, Western Region

Les M. Gershon
Vice President, Northeast Region

Ronald R. Psimas
Vice President, Southeastern Region

Andrew G. Whitehead
Vice President, Sales and Marketing

Saf-T-Pak Inc.

David R. Hebrank
General Manager

Alex V. Schabel
Vice President and Controller

Auditors

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MetroPark, New Jersey

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American Stock Transfer &
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Form 10-K Report

Stockholders may obtain without charge a copy of Cantel Medical Corp.'s 2010 Annual Report on Form 10-K filed with the Securities and Exchange Commission by visiting our website at www.cantelmedical.com or writing to Ms. Joanna Zisa-Albrecht, Assistant Secretary, Cantel Medical Corp.

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