SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2013-06-10** | Period of Report: **2013-04-30**
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FILER

CANTEL MEDICAL CORP

CIK:**19446**| IRS No.: **221760285** | State of Incorp.:**DE** | Fiscal Year End: **0731**
Type: **10-Q** | Act: **34** | File No.: **001-31337** | Film No.: **13903015**
SIC: **3841** Surgical & medical instruments & apparatus

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☒ **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended April 30, 2013.

or

☐ **Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to .

Commission file number: 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**	**(973) 890-7220**
(Address of principal executive offices)	(Zip code)	(Registrant' s telephone number, including area code)

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 ☒

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Number of shares of common stock outstanding as of May 31, 2013: 27,383,355.

PART I - FINANCIAL INFORMATION

ITEM 1. - FINANCIAL STATEMENTS

CANTEL MEDICAL CORP.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar Amounts in Thousands, Except Share Data)

(Unaudited)

	April 30, 2013	July 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 30,669	$ 30,186
Accounts receivable, net of allowance for doubtful accounts of $691 at April 30 and $1,041 at July 31	52,109	47,977
Inventories:		
Raw materials	23,272	21,084
Work-in-process	6,772	6,476
Finished goods	22,893	19,195
Total inventories	52,937	46,755
Deferred income taxes	4,448	3,799
Prepaid expenses and other current assets	4,466	3,321
Income taxes receivable	554	1,854
Total current assets	145,183	133,892
Property and equipment, net	45,431	43,022
Intangible assets, net	74,165	71,311
Goodwill	208,176	183,655
Prepaid acquisition	8,300	–
Other assets	3,109	2,932
	$ 484,364	$ 434,812
Liabilities and stockholders' equity		
Current liabilities:		
Current portion of long-term debt	$ 10,000	$ 10,000
Accounts payable	14,551	12,345
Compensation payable	11,100	14,312
Accrued expenses	10,137	10,370
Deferred revenue	10,472	8,114
Total current liabilities	56,260	55,141
Long-term debt	95,000	80,000
Deferred income taxes	23,636	19,894
Acquisition payable	255	2,537

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Other long-term liabilities	1,258	1,304
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 75,000,000 shares; April 30 - 30,014,849 shares issued and 27,346,692 shares outstanding; July 31 - 29,997,898 shares issued and 27,100,729 shares outstanding	3,001	3,000
Additional paid-in capital	133,709	127,338
Retained earnings	195,071	167,539
Accumulated other comprehensive income	8,196	8,175
Treasury Stock, at cost; April 30 - 2,668,157 shares; July 31 - 2,897,169 shares	(32,022)	(30,116)
Total stockholders' equity	307,955	275,936
	$ 484,364	$ 434,812

See accompanying notes.

CANTEL MEDICAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Dollar Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	**2012**	**2013**	**2012**
Net sales	$ 105,009	$ 97,238	$ 311,053	$ 287,797
Cost of sales	59,525	54,619	176,691	166,407
Gross profit	45,484	42,619	134,362	121,390
Expenses:				
Selling	15,096	14,240	42,232	40,433
General and administrative	13,766	12,388	38,196	36,582
Research and development	2,399	2,217	6,876	6,660
Total operating expenses	31,261	28,845	87,304	83,675
Income before interest, other expense and income taxes	14,223	13,774	47,058	37,715
Interest expense	749	897	2,186	2,928
Interest income	(16)	(13)	(45)	(67)
Other expense	–	–	–	605
Income before income taxes	13,490	12,890	44,917	34,249

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Income taxes	4,492	4,716	15,891	12,561
Net income	$ 8,998	$ 8,174	$ 29,026	$ 21,688
Earnings per common share:				
Basic	$ 0.33	$ 0.30	$ 1.07	$ 0.81
Diluted	$ 0.33	$ 0.30	$ 1.06	$ 0.80
Dividends per common share	$ –	$ –	$ 0.06	$ 0.05

See accompanying notes.

CANTEL MEDICAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollar Amounts in Thousands)

(Unaudited)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	**2012**	**2013**	**2012**
Net income	$ 8,998	$ 8,174	$ 29,026	$ 21,688
Other comprehensive income (loss):				
Foreign currency translation, net of tax	(192)	304	(37)	(657)
Unrealized holding losses on interest rate swaps arising during the period, net of tax	(38)	(101)	(47)	(101)
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the period	31	–	105	–
Total other comprehensive income (loss), net of tax	(199)	203	21	(758)
Comprehensive income	$ 8,799	$ 8,377	$ 29,047	$ 20,930

See accompanying notes.

CANTEL MEDICAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar Amounts in Thousands)

(Unaudited)

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	Nine Months Ended April 30,	
	2013	2012
Cash flows from operating activities		
Net income	$ 29,026	$ 21,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,380	5,129
Amortization	7,438	6,846
Stock-based compensation expense	2,806	3,019
Amortization of debt issuance costs	262	282
Loss on disposal of fixed assets	124	94
Impairment of convertible notes receivable	–	605
Deferred income taxes	(1,890)	(1,187)
Excess tax benefits from stock-based compensation	(1,986)	(1,315)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(2,136)	4,012
Inventories	(4,313)	(2,958)
Prepaid expenses and other current assets	(1,449)	(884)
Accounts payable and other current liabilities	(3,848)	(3,691)
Income taxes receivable	5,077	1,213
Net cash provided by operating activities	34,491	32,853
Cash flows from investing activities		
Capital expenditures	(4,034)	(3,860)
Proceeds from disposal of fixed assets	32	–
Acquisition of Gambro Water	–	(1,550)
Acquisition of Confirm	–	(855)
Acquisition of the Byrne Medical Business	–	(95,261)
Acquisition of SPS Business, net of cash acquired	(35,415)	–
Acquisition of Polyp Trap	(486)	–
Acquisition of Eagle Pure Water	(870)	–
Acquisition of Siemens Water	(8,300)	–
Other, net	(135)	(198)
Net cash used in investing activities	(49,208)	(101,724)
Cash flows from financing activities		
Borrowings under term loan facility, net of debt issuance costs	–	49,647
Borrowings under revolving credit facility, net of debt issuance costs	45,000	46,941
Repayments under term loan facility	(7,500)	(7,500)
Repayments under revolving credit facility	(22,500)	(14,000)
Proceeds from exercises of stock options	1,573	1,951
Dividends paid	(1,494)	(1,258)
Excess tax benefits from stock-based compensation	1,986	1,315
Purchases of treasury stock	(1,899)	(1,502)
Net cash provided by financing activities	15,166	75,594
Effect of exchange rate changes on cash and cash equivalents	34	(106)

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Increase in cash and cash equivalents	483	6,617
Cash and cash equivalents at beginning of period	30,186	18,410
Cash and cash equivalents at end of period	$ 30,669	$ 25,027

See accompanying notes.

CANTEL MEDICAL CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. **Basis of Presentation**

The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles for interim financial reporting and the requirements of Form 10-Q and Rule 10.01 of Regulation S-X. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Annual Report of Cantel Medical Corp. ("Cantel") on Form 10-K for the fiscal year ended July 31, 2012 (the "2012 Form 10-K") and Management' s Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

The unaudited interim financial statements reflect all adjustments (of a normal and recurring nature) which management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The Condensed Consolidated Balance Sheet at July 31, 2012 was derived from the audited Consolidated Balance Sheet of Cantel at that date.

Cantel had five principal operating companies at April 30, 2013 and July 31, 2012; Medivators Inc. ("Medivators"), 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, Medivators has two foreign subsidiaries, Medivators B.V. and Medivators Asia/Pacific Ltd., which serve as Medivators' bases in Europe and Asia/Pacific, respectively, and Crosstex has a newly acquired subsidiary, SPS Medical Supply Corp., as more fully described below and in Note 3 to the Condensed Consolidated Financial Statements.

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

On March 22, 2013, Mar Cor entered into an agreement to acquire from Siemens Industry, Inc. and Siemens Canada Limited (collectively, "Siemens") certain net assets of Siemens' hemodialysis water business (the "Siemens Water Business" or the "Siemens Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements.

On December 31, 2012, Mar Cor acquired certain net assets of Eagle Pure Water Systems, Inc. (the "Eagle Pure Water Business" or the "Eagle Pure Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial

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Statements. The Eagle Pure Water Acquisition had an insignificant effect on our results of operations for the three and nine months ended April 30, 2013 due to the small size of this business and is not reflected in

our results of operations for the three and nine months ended April 30, 2012. The Eagle Pure Water Business is included in our Water Purification and Filtration segment.

On November 1, 2012, Crosstex acquired all the issued and outstanding stock of SPS Medical Supply Corp. (the "SPS Business" or "SPS Medical"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements. Its results of operations are included in the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and are not reflected in the three and nine months ended April 30, 2012. The SPS Business is included in our Healthcare Disposables segment.

On August 1, 2011, Medivators acquired the business and substantially all of the assets of Byrne Medical, Inc. ("BMI"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements. The results of operations for the acquired business (the "Byrne Medical Business" or the "Byrne Acquisition") are included in our results of operations for all periods presented and are included in our Endoscopy segment.

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

We performed a review of events subsequent to April 30, 2013. Based upon that review, no subsequent events occurred that required updating to our Condensed Consolidated Financial Statements or disclosures.

Note 2. Stock-Based Compensation

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Cost of sales	$ 41,000	$ 51,000	$ 133,000	$ 141,000
Operating expenses:				
Selling	69,000	109,000	250,000	300,000
General and administrative	802,000	533,000	2,396,000	2,545,000
Research and development	7,000	13,000	27,000	33,000
Total operating expenses	878,000	655,000	2,673,000	2,878,000
Stock-based compensation before income taxes	919,000	706,000	2,806,000	3,019,000
Income tax benefits	(332,000)	(247,000)	(1,008,000)	(1,073,000)
Total stock-based compensation expense, net of tax	$ 587,000	$ 459,000	$ 1,798,000	$ 1,946,000

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Decrease in earnings per common share due to stock-based compensation:				
Basic	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Diluted	$ 0.02	$ 0.02	$ 0.07	$ 0.07

The above stock-based compensation expense before income taxes was recorded in the Condensed Consolidated Financial Statements as stock-based compensation expense and an increase to additional paid-in capital. The related income tax benefits 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. All of our stock options and stock awards (which consist only of restricted shares) are expected to be deductible for tax purposes and were tax-effected using the Company' s estimated U.S. effective tax rate at the time of grant, except for certain options and restricted shares granted to employees residing outside of the United States.

All of our stock options and stock awards 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 April 30, 2013, total unrecognized stock-based compensation expense, before income taxes, related to total nonvested stock options and stock awards was $5,371,000 with a remaining weighted average period of 19 months over which such expense is expected to be recognized. The majority of our nonvested awards relate to stock awards.

We determine the fair value of each stock award using the closing market price of our common stock on the date of grant.

A summary of nonvested stock award activity follows:

	Number of Shares	Weighted Average Fair Value
Nonvested stock awards at July 31, 2012	472,005	$ 13.73
Granted	132,692	25.60
Canceled	(8,830)	17.23
Vested	(181,435)	13.06
Nonvested stock awards at April 30, 2013	414,432	$ 17.75

For the nine months ended April 30, 2013, 35,000 options were granted in October 2012. There were no option grants during the three and nine months ended April 30, 2012.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for options granted during the nine months ended April 30, 2013:

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Weighted-Average Black-Scholes Option Valuation Assumptions	Nine Months Ended April 30, 2013
Dividend yield	0.37%
Expected volatility (1)	0.509
Risk-free interest rate (2)	0.67%
Expected lives (in years) (3)	5.00

(1) Volatility was based on historical closing prices of our common stock.
(2) The U.S. Treasury rate on the expected life at the date of grant.
(3) Based on historical exercise behavior.

These non-qualified options had a weighted average fair value of $10.91.

The aggregate intrinsic value (i.e., the excess market price over the exercise price) of all options exercised was $537,000 and $4,025,000 for the three and nine months ended April 30, 2013 and $1,566,000 and $3,413,000 for the three and nine months ended April 30, 2012, respectively.

A summary of stock option activity follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at July 31, 2012	548,823	$ 9.86
Granted	35,000	25.56
Canceled	(6,000)	12.61
Exercised	(209,266)	9.80
Outstanding at April 30, 2013	368,557	$ 11.34
Exercisable at July 31, 2012	364,110	$ 9.43
Exercisable at April 30, 2013	333,557	$ 9.85

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. However, during the first six months of the nine months ended April 30, 2013, we reissued 316,177 shares, (and 107,269 shares during the fourth quarter of fiscal 2012) from treasury stock for the exercise of stock options and grant of stock awards.

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its United States income tax return. Accordingly, we account for the income tax effect on such income tax deductions as a reduction of previously recorded long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) and as a reduction of income taxes payable in the year of the deduction. Excess tax benefits arise when the ultimate tax effect of the deduction for tax purposes is greater than the tax benefit on stock

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compensation expense which was determined based upon the award' s fair value at the time the award was granted. The differences noted above between actual tax deductions and the previously recorded long-term deferred income tax assets are recorded as additional paid-in capital. For the nine months ended April 30, 2013 and 2012, income tax deductions of $3,073,000 and $2,435,000, respectively, were generated and increased additional paid-in capital by $1,986,000 and $1,315,000, respectively. We classify the cash flows resulting from excess tax benefits as financing cash flows in our Condensed Consolidated Statements of Cash Flows.

Note 3. **Acquisitions**

Siemens' Hemodialysis Water Business

On March 22, 2013, Mar Cor and Siemens entered into asset purchase agreements under which Mar Cor is acquiring certain net assets of Siemens' hemodialysis water business primarily consisting of customer service agreements for over 600 dialysis customers in the United States and Canada. Such service agreements had contributed over $9 million in revenue to Siemens in calendar year 2012 (unaudited) and are being assigned from Siemens to Mar Cor over several months on an individual customer by customer basis to ensure a seamless transition. The total consideration for the transaction, excluding transaction costs of $226,000, was $8,300,000, which was paid on March 22, 2013 and recorded as a prepaid acquisition in our Condensed Consolidated Financials since the majority of the customer service agreements had not been transferred to Mar Cor as of April 30, 2013 and therefore control of the business has not been achieved. The acquisition date of the Siemens Water Business is expected to occur in July 2013, which is when we expect the majority of the customer service agreements to be transferred.

The principal reasons for the acquisition were as follows: (i) the opportunity to increase service revenue and profitability of the Mar Cor service network due to improved operating leverage, (ii) expanding Mar Cor' s North American footprint in new geographies, (iii) the opportunity to sell capital equipment and recurring consumables to new customers and (iv) the expectation that the acquisition will be accretive to our earnings per share beyond fiscal 2013.

Because only a minimal amount of customer service agreements had been transitioned to Mar Cor as of April 30, 2013, the results of operations of the Siemens Water Business had an insignificant impact on our results of operations for the three and nine months ended April 30, 2013, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition. The Siemens Water Business is included in our Water Purification and Filtration segment.

Eagle Pure Water Systems, Inc.

On December 31, 2012, we purchased substantially all of the assets of Eagle Pure Water Systems, Inc., a private company with pre-acquisition annual revenues (unaudited) of approximately $500,000 based in the suburbs of Philadelphia, Pennsylvania that provides water treatment services for laboratory, industrial and medical customers. The total consideration for the transaction was $870,000.

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

	Preliminary Allocation
Net Assets	
Current assets:	$ 8,000
Property, plant and equipment	70,000
Amortizable intangible assets - (3- year weighted average life):	
Customer relationships (3- year life)	150,000

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Brand names (3- year life)	18,000
Non-compete agreement (5- year life)	32,000
Current liabilities	(5,000)
Net assets acquired	$ 273,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $597,000 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 reasons for the acquisition were the strengthening of our sales and service business by adding Eagle Pure Water' s strategic Philadelphia market presence to enable us to better serve our national customers and to further expand our business into the laboratory and research segments. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

The acquisition of Eagle Pure Water is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

Polyp Trap

On November 13, 2012 we acquired the intellectual property, inventory, fixed assets and exclusive distribution rights of a polyp trap product line for $486,000. This product line is used principally in the performance of endoscopy procedures for the purpose of safely and efficiently collecting tissue biopsy material. The polyp trap product line will be included in our Medivators procedural product portfolio, which is part of the Endoscopy segment.

This acquisition is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

SPS Medical Supply Corp.

On November 1, 2012, our Crosstex subsidiary acquired all the issued and outstanding stock of SPS Medical Supply Corp., a private company based in Rochester, New York with pre-acquisition annual revenues (unaudited) of approximately $17,500,000 that manufactures and provides biological and chemical indicators for sterility assurance monitoring services in the acute-care, alternate-care and dental markets. The SPS Business offers a wide-array of products and services that enable healthcare facilities to safely and accurately monitor and verify their sterilization practices and protocols. Total consideration for the transaction, excluding transaction costs of $157,000, was $32,500,000. In addition, we acquired the SPS manufacturing and warehouse facility in Rochester, New York for approximately $3,500,000 from an affiliate of SPS Medical. The SPS Business is included in our Healthcare Disposables segment.

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

	Preliminary Allocation
Net Assets	

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Current assets	$ 5,077,000
Property, plant and equipment	3,801,000
Amortizable intangible assets - (9- year weighted average life):	
Customer relationships (10- year life)	8,120,000
Brand names (5- year life)	760,000
Technology (4- year life)	500,000
Non-compete agreements (6- year life)	180,000
Other assets	28,000
Current liabilities	(2,784,000)
Noncurrent deferred income tax liabilities, net	(3,659,000)
Net assets acquired	$ 12,023,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $23,977,000 was assigned to goodwill. Such goodwill, all of which is not deductible for income tax purposes, has been included in our Healthcare Disposables reporting segment.

The principal reasons for the acquisition were (i) to expand our sterility assurance monitoring product portfolio, (ii) to expand our market share of the dental mail-in biological monitoring industry when combined with our existing monitoring business, (iii) to expand into the acute-care hospital market and alternate care markets, (iv) to increase the likelihood of cross-selling our existing products, (v) to leverage Crosstex' sales and marketing infrastructure and (vi) the expectation that the acquisition will be accretive to our earnings per share in fiscal 2013 and beyond. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

The acquisition of the SPS Business is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. The SPS Business contributed $4,687,000 and $9,349,000 in net sales for the three and nine months ended April 30, 2013, respectively. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition relative to our overall results of operations.

Byrne Medical, Inc. Disposable Endoscopy Products Business

On August 1, 2011 our Medivators subsidiary acquired the business and substantially all of the assets of BMI, a privately owned, Texas-based company that designed, manufactured and sold an innovative array of disposable infection control products intended to eliminate the challenges associated with proper cleaning and sterilization of numerous reusable components used in gastrointestinal (GI) endoscopy procedures. Excluding acquisition-related costs of $1,099,000 (of which $626,000 and $473,000 were recorded in general administrative expenses in fiscal years 2012 and 2011, respectively), we paid an aggregate purchase price of $99,361,000 (which reflects a $639,000 decrease resulting from a net asset value adjustment that was recorded as a reduction of goodwill in December 2011). The purchase price was comprised of $89,361,000 in cash and $10,000,000 in shares of Cantel common stock that is subject to both a multi-year lock-up and three-year price floor (described below). After giving effect for the Company' s three-for-two stock split, the stock consideration consisted of 601,685 shares of Cantel common stock and was based on the closing price of Cantel common stock on the NYSE on July 29, 2011 ($16.62). In addition, there is up to $10,000,000 in potential cash contingent consideration payable to BMI over two years based on the achievement by the acquired business of certain targeted amounts of gross profit. A portion of the purchase price (including the stock consideration) was placed in escrow as security for indemnification obligations of BMI and its principal stockholder, Mr. Don Byrne. In addition, we purchased certain land and buildings utilized by the Byrne Medical Business from Byrne Investments LLC, an affiliate of Mr. Byrne, for $5,900,000.

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We account for contingent consideration by recording the fair value of contingent consideration as a liability and an increase to goodwill on the date of the acquisition and continually re-measure the liability at each balance sheet date by recording changes in the fair value through our Condensed Consolidated Statements of Income. Accordingly, on August 1, 2011 we increased acquisition payable and goodwill by $2,700,000 to record our initial estimated fair value of the contingent consideration that would be earned over the two years ending July 31, 2013. On a quarterly basis subsequent to August 1, 2011, we re-measured the fair value of the contingent consideration and recorded the changes in fair value by decreasing both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements resulting in contingent consideration payable of $1,500,000 at July 31, 2012, which was subsequently reduced to zero at January 31, 2013, as more fully described in Note 6 to the Condensed Consolidated Financial Statements.

Subject to certain conditions and limitations, under the price floor referred to above, we agreed that if the aggregate value of the stock consideration is less than $10,000,000 on July 31, 2014, we will pay to BMI in cash or stock (at our option) an amount equal to the difference between $10,000,000 and the then value of the shares (based on the closing price of Cantel common stock on the NYSE on July 31, 2014). This three-year price floor is a free standing financial instrument that we are required to record as a liability at fair value on the date of acquisition and continually re-measure the liability at each balance sheet date by recording changes in the fair value through our Condensed Consolidated Statements of Income. Accordingly, on August 1, 2011 we increased acquisition payable and goodwill by $3,000,000 to record our initial estimated fair value of the three-year price floor. The fair value of this liability was determined using the Black-Scholes option valuation model. On a quarterly basis subsequent to August 1, 2011, we re-measured the fair value of the price floor and recorded changes in fair value by decreasing both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements resulting in a price floor liability of $255,000 and $1,037,000 at

April 30, 2013 and July 31, 2012, respectively, as more fully described in Note 6 to the Condensed Consolidated Financial Statements.

Additionally, the $10,000,000 stock portion of the purchase price was measured at fair value, which was determined using put option valuation models, to account for the discount for the multi-year lock up feature that prohibits the sellers of the Byrne Medical Business from trading the 601,685 shares of Cantel common stock during the three or four year lock-up period, which period is dependent upon whether BMI' s principal stockholder is employed by us on August 1, 2014. As a result of our valuation, the fair value of the 601,685 shares was determined to be $7,640,000, of which $7,310,000 was considered purchase price and $330,000 was determined to be compensation expense that will be expensed on a straight-line basis over the minimum lock up period of three years. The determinations of fair value using option-pricing models are affected by our stock price and risk free interest rate as well as assumptions regarding a number of subjective variables, including, but not limited to, the expected stock price volatility of our common stock over the expected life of the instrument and the expected dividend yield.

Since we will be continually re-measuring both the contingent consideration liability and the three-year price floor liability at each balance sheet date and recording changes in the respective fair values through our Condensed Consolidated Statements of Income, we will potentially have significant earnings volatility in our results of operations until the completion of both the two year period relating to the contingent consideration and three year period relating to the price floor.

The components of the purchase price, as explained above, consist of the following:

Cash (including purchase of buildings)	$ 95,261,000
Fair value of the Cantel common stock with the multi-year lock-up	7,310,000
Total consideration paid at August 1, 2011	102,571,000
Price floor	3,000,000
Contingent consideration	2,700,000

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Total purchase price recorded at August 1, 2011	$ 108,271,000

In connection with the acquisition, we acquired certain tangible assets including accounts receivable, inventories and equipment and assumed certain liabilities of BMI including trade payables, sales commissions payable and ordinary course business liabilities.

In conjunction with the acquisition of the Byrne Medical Business and the impending expiration of our existing credit facility, we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011 with our senior lenders to fund the cash consideration paid in and the costs associated with the acquisition, as well as to refinance our existing working capital credit facilities, as more fully described in Note 9 to the Condensed Consolidated Financial Statements.

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

	Final Allocation
Net Assets	
Current assets:	
Accounts receivable	$ 4,303,000
Inventory	4,581,000
Other assets	588,000
Property, plant and equipment	10,074,000
Amortizable intangible assets (13-year weighted average life):	
Customer relationships (15-year life)	25,300,000
Brand names (10-year life)	2,200,000
Technology (8-year life)	11,900,000
Non-compete agreement (14 year-weighted-average life)	2,000,000
Other assets	105,000
Current liabilities	(2,277,000)
Other liabilities	(85,000)
Net assets acquired	$ 58,689,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $49,582,000 was assigned to goodwill. Such goodwill, all of which is deductible for income tax purposes over fifteen years, has been included in our Endoscopy segment.

Since the acquisition was completed on the first day of fiscal 2012, the results of operations of the Byrne Medical Business are included in our results of operations for all periods presented. The operations of the Byrne Medical Business are fully included within our Endoscopy segment.

The principal reasons for the Byrne Acquisition were as follows: (i) the complementary nature of its infection prevention and control business which further expands our business into hospital and outpatient center-based GI endoscopy, (ii) the addition of a market leading, high margin business in a familiar segment in infection prevention and control, (iii) the increase in the percentage of our net sales derived from recurring consumables, (iv) the expectation that the acquisition increases overall corporate gross margin percentage and will be accretive to our future earnings per share, (v) the belief that the endoscopy market will convert from re-using to disposing of certain components in GI endoscopy, and (vi) the opportunity for us to further expand our business into the design, manufacture and

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distribution of proprietary products. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

Note 4. Recent Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2013-02, *"Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,"* ("ASU 2013-02"), which requires presentation of reclassification adjustments from each component of accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into net income in their entirety in the same reporting period. For amounts not required to be reclassified in their entity in the same reporting period, cross-reference to other disclosures is required. ASU 2013-02 is effective prospectively for reporting periods

beginning after December 15, 2012. Accordingly, we adopted ASU 2013-02 in our fiscal 2013 third quarter ended April 30, 2013 as shown in Note 13. The adoption of this disclosure guidance did not have any impact upon our financial position and results of operations.

In June 2011, the FASB issued ASU 2011-05, *"Comprehensive Income (Topic 220): Presentation of Comprehensive Income,"* ("ASU 2011-05"), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Accordingly, we adopted ASU 2011-05 in our fiscal 2013 first quarter ended October 31, 2012 by including the Condensed Statements of Comprehensive Income as an addition to our Condensed Consolidated Financial Statements. The adoption of this disclosure guidance did not have any impact upon our financial position and results of operations.

Note 5. Derivatives

We 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 April 30, 2013, all of our derivatives were designated as hedges. We do not hold any derivative financial instruments for speculative or trading purposes.

Changes in the value of (i) the Euro against the United States dollar, (ii) the Canadian dollar against the United States dollar, (iii) the Singapore dollar against the United States dollar and (iv) the British pound against the United States dollar affect our results of operations because certain cash bank accounts, accounts receivable, and liabilities of our subsidiaries are denominated and ultimately settled in Euros, Singapore dollars or British pounds, but must be converted into their functional currency. Furthermore, a portion of the net assets of our Canadian subsidiaries (which are reported in our Specialty Packaging and Water Purification and Filtration segments) are denominated and ultimately settled in United States dollars, but must be converted into its functional Canadian dollar currency.

In order to hedge against the impact of fluctuations in the value of (i) the Euro relative to the United States dollar, (ii) the Singapore dollar 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 Euros, Singapore dollars 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 $2,488,000 at April 30, 2013, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on

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May 31, 2013. 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. For the three and nine months ended April 30, 2013, such forward contracts substantially offset the impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies resulting in a net currency conversion loss, net of tax, of $2,000 and $46,000, respectively, on the items hedged.

For the three and nine months ended April 30, 2012, such forward contracts substantially offset the adverse impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies resulting in no gain or loss for the nine months ended April 30, 2012 and a small net currency conversion loss, net of tax, of $4,000 for the three months ended April 30, 2012. Gains and losses related to hedging contracts to buy Euros, Singapore dollars and British pounds forward are immediately realized within general and administrative expenses due to the short-term nature of such contracts. We do not currently hedge against the impact of fluctuations in the value of the Canadian dollar relative to the United States dollar because the currency impact on our Canadian and United States subsidiaries' assets closely offset the currency impact on our Canadian and United States subsidiaries' liabilities effectively minimizing realized gains and losses.

The interest rate on our outstanding borrowings under our credit facilities is variable and is affected by the general level of interest rates in the United States as well as LIBOR interest rates, as more fully described in Note 9 to the Condensed Consolidated Financial Statements. In order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly $2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%. These interest rate swap agreements have been designated as cash flow hedge instruments and have been designed to be effective in offsetting changes in the cash flows related to the hedged borrowings. As more fully described in Note 6 of the Condensed Consolidated Financial Statements, we account for the interest rate swap agreements by recording the fair value of the derivative instrument on the balance sheet as either an asset or liability, with a corresponding amount recorded in accumulated other comprehensive income. Amounts are reclassified from accumulated other comprehensive income to interest expense in the Condensed Consolidated Statements of Income in the period the hedged transaction affects earnings. At the hedge' s inception and on a regular basis thereafter, a formal assessment is performed to determine whether changes in the fair value or cash flows of the derivative instruments have been highly effective in offsetting changes in cash flows of the hedged items and whether they are expected to be highly effective in the future. This formal assessment includes a comparison of the terms of the interest rate swap agreements and hedged borrowings to ensure they coincide as well as an evaluation of the continued ability of the counterparty to the interest rate swap agreements and the Company to honor their obligations under such agreements. At April 30, 2013, our formal assessment concluded that the changes in the fair value of the derivative instruments have been and are expected to be highly effective in the future for the interest rate swap periods that began on August 8, 2012.

Note 6. **Fair Value Measurements**

Fair Value Hierarchy

We apply the provisions of Accounting Standards Codification ("ASC") 820, *"Fair Value Measurements and Disclosures,"* ("ASC 820"), for our financial assets and liabilities that are re-measured and reported at fair value each reporting period and our nonfinancial assets and liabilities

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that are re-measured and reported at fair value on a non-recurring basis. We define 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.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

As of April 30, 2013 and 2012, our financial assets that are re-measured at fair value on a recurring basis include money market funds that are classified as cash and cash equivalents in the Condensed Consolidated Balance Sheets. As there are no withdrawal restrictions, they are classified within Level 1 of the fair value hierarchy and are valued using quoted market prices for identical assets.

Additionally, in order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders, as further described in Notes 5 and 9 to the Condensed Consolidated Financial Statements. Our interest rate swap agreements are classified within Level 2 and are valued using discounted cash flow analyses based on the terms of the contracts and the interest rate curves. Changes in fair value in these interest rate swap agreements during the three and nine months ended April 30, 2013 were recorded in accumulated other comprehensive income in the Condensed Consolidated Statements of Comprehensive Income. Amounts are reclassified from accumulated other comprehensive income in the period the hedged transaction affects earnings. Accordingly, during the three and nine months ended April 30, 2013, we reclassified $53,000 and $168,000, respectively, from accumulated other comprehensive income to interest expense in the Condensed Consolidated Statements of Income.

We also had contingent consideration relating to the acquisition of the sterilization monitoring business of ConFirm Monitoring Systems, Inc. on February 11, 2011. The fair value of this liability was based on future sales projections of the ConFirm Monitoring Business under various potential scenarios for the one year period ended January 31, 2012 and weighting the probability of these outcomes. At the date of the acquisition, these cash flow projections were discounted using a rate of 7%. The discount rate was based on the weighted average cost of capital of the acquired business plus a credit risk premium for non-performance risk. This analysis resulted in an initial contingent consideration liability of $656,000, which was subsequently adjusted by recording the change in the fair value through our results of operations as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis. These fair value measurements were based on significant inputs not observed in the market and thus represented a Level 3 measurement. Based on actual sales results for the one year period ended January 31, 2012, the final contingent consideration liability was determined to be $855,000 at January 31, 2012 and was paid in March 2012.

On August 1, 2011 (the first day of our fiscal 2012), we recorded a $2,700,000 liability for

the estimated fair value of contingent consideration and a $3,000,000 liability for the estimated fair value of the three year price floor relating to the Byrne Acquisition, as further described in Note 3 to the Condensed Consolidated Financial Statements. These fair value measurements were based on significant inputs not observed in the market and thus represent Level 3 measurements.

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The fair value of the contingent consideration liability was based on future gross profit projections of the Byrne Medical Business under various potential scenarios for the two year period ending July 31, 2013 and weighting the probability of these outcomes. As such, the determination of fair value of the contingent consideration is subjective in nature and highly dependent on future gross profit projections. At the date of the acquisition, these cash flow projections were discounted using a rate of 14%. The discount rate was based on the weighted average cost of capital of the acquired business plus a credit risk premium for non-performance risk. This contingent consideration liability was adjusted periodically by recording changes in the fair value through our Condensed Consolidated Statements of Income, as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis, driven by the time value of money and changes in the assumptions that were initially used in the valuation. The decrease to the contingent consideration liability was due to the actual gross profit results for the first year and three-quarters of the two-year contingent consideration period, and the reassessment of the weighted probability of the future gross profit projections of the remaining portion of the two year period ending July 31, 2013 and was recorded as a decrease to both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements. The final contingent consideration liability has the potential of being between zero and $10,000,000. However, the different likely scenarios of future gross profit and the weighted average of such scenarios resulted in a fair value of zero at each of January 31, 2013 and April 30, 2013. Such fair value would have been higher if we had used different probability factors, future gross profit projections or discount factors. However, given the short period of time until the end of the two year period, it is highly unlikely that any portion of the contingent consideration liability will be earned.

The fair value of the three year price floor liability was determined using the Black-Scholes option valuation model, which is affected by our stock price and risk free interest rate as well as assumptions regarding a number of subjective variables, including, but not limited to, the expected stock price volatility of our common stock over the expected life of the instrument and the expected dividend yield. This liability is adjusted periodically by recording changes in the fair value through our Condensed Consolidated Statements of Income, as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis, driven by the time value of money and changes in the assumptions that were initially used in the valuation. The decrease to the fair value of the price floor (as determined by the Black-Scholes option valuation model) was recorded as a decrease to both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements and was primarily due to the impact of our stock price being higher than at the time of the acquisition, the life of the price floor being less than three years and changes in the expected stock price volatility. Future changes in these factors, especially changes in our stock price, may result in significant future earnings volatility. For instance, if our stock price at April 30, 2013 was $1.00 lower, the fair value of the price floor would have been approximately $36,000 higher, which would have decreased our operating income by $36,000. Conversely, if our stock price at April 30, 2013 was $1.00 higher, the fair value of the price floor would have been approximately $31,000 lower, which would have increased our operating income by $31,000.

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

	April 30, 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents:				
Money markets	$ 4,258,000	$ −	$ −	$ 4,258,000
Total assets	$ 4,258,000	$ −	$ −	$ 4,258,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ −	$ −	$ −	$ −

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	Level 1	Level 2	Level 3	Total
Price floor	–	–	255,000	255,000
Total acquisition payable	–	–	255,000	255,000
Other liabilities:				
Interest rate swap agreements	–	240,000	–	240,000
Total other liabilities (1)	–	240,000	–	240,000
Total liabilities	$ –	$ 240,000	$ 255,000	$ 495,000

	July 31, 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Cash and cash equivalents:				
Money markets	$ 3,916,000	$ –	$ –	$ 3,916,000
Total assets	$ 3,916,000	$ –	$ –	$ 3,916,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ –	$ –	$ 1,500,000	$ 1,500,000
Price floor	–	–	1,037,000	1,037,000
Total acquisition payable	–	–	2,537,000	2,537,000
Other liabilities:				
Interest rate swap agreements	–	335,000	–	335,000
Total other liabilities (1)	–	335,000	–	335,000
Total liabilities	$ –	$ 335,000	$ 2,537,000	$ 2,872,000

(1) At April 30, 2013 and July 31, 2012, the current portions of the interest swap agreements of $174,000 and $212,000, respectively, are recorded in accrued expenses and the long-term portions of the interest swap agreements of $66,000 and $123,000, respectively, are recorded in other long-term liabilities.

A reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) for the last seven quarters is as follows:

	ConFirm Contingent Consideration	**Byrne Contingent Consideration**	**Byrne Price Floor**	**Total**
Balance, July 31, 2011	$ 775,000	$ –	$ –	775,000
Total net unrealized (gains)/losses included in general and administrative expense in earnings	(86,000)	100,000	(582,000)	(568,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	2,700,000	3,000,000	5,700,000
Balance, October 31, 2011	689,000	2,800,000	2,418,000	5,907,000
Total net unrealized (gains)/losses included in general and administrative expense in earnings	166,000	100,000	(623,000)	(357,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	–	–	–

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Balance, January 31, 2012	855,000	2,900,000	1,795,000	5,550,000
Total net unrealized gains included in general and administrative expense in earnings	–	–	(395,000)	(395,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	(855,000)	–	–	(855,000)
Balance, April 30, 2012	–	2,900,000	1,400,000	4,300,000
Total net unrealized gains included in general and administrative expense in earnings	–	(1,400,000)	(363,000)	(1,763,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	–	–	–
Balance, July 31, 2012	–	1,500,000	1,037,000	2,537,000
Total net unrealized gains included in general and administrative expense in earnings	–	–	(313,000)	(313,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	–	–	–
Balance, October 31, 2012	–	1,500,000	724,000	2,224,000
Total net unrealized gains included in general and administrative expense in earnings	–	(1,500,000)	(410,000)	(1,910,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	–	–	–
Balance, January 31, 2013	–	–	314,000	314,000
Total net unrealized gains included in general and administrative expense in earnings	–	–	(59,000)	(59,000)
Transfers into or out of level 3	–	–	–	–
Net purchases, issuances, sales and settlements	–	–	–	–
Balance, April 30, 2013	$ –	$ –	$ 255,000	$ 255,000

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

We re-measure the fair value of certain assets, such as intangible assets, goodwill and long-lived assets, including property and equipment and convertible notes receivable, 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. In performing a review for goodwill impairment, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount before proceeding to step one of the two-step quantitative goodwill

impairment test, if necessary. For our quantitative test, we use a two-step process that begins with an estimation of the fair value of the related operating segments by using fair value results of the discounted cash flow methodology, as well as the market multiple and comparable transaction methodologies 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 performs a qualitative assessment, and if a quantitative assessment is necessary, we compare the current fair value of such assets to their carrying values. With respect to amortizable intangible assets when impairment indicators are present, management determines whether expected future non-discounted cash flows is sufficient to recover the carrying value of the assets; if not, the carrying value of the assets is adjusted to their fair value. With respect to long-lived assets, 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-

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discounted cash flows is less than the carrying value, an impairment loss is recognized based on fair value. As the inputs utilized for our periodic impairment assessments are not based on observable market data, but are based on management' s assumptions and estimates, our goodwill, intangibles and long-lived assets are classified within Level 3 of the fair value hierarchy on a non-recurring basis. On July 31, 2012, management concluded that none of our long-lived assets, including goodwill and intangibles with indefinite-lives, were impaired and no other events or changes in circumstances have occurred during the nine months ended April 30, 2013 that would indicate that the carrying amount of our long-lived assets may not be recoverable.

Disclosure of Fair Value of Financial Instruments

As of April 30, 2013 and July 31, 2012, the carrying amounts for cash and cash equivalents (excluding money markets), accounts receivable and accounts payable approximated fair value due to the short maturity of these instruments. We believe that as of April 30, 2013 and July 31, 2012, the fair value of our outstanding borrowings under our credit facilities approximated the carrying value of those obligations since the borrowing rates were at prevailing market interest rates, principally under LIBOR contracts ranging from one to twelve months.

Note 7. Intangible Assets and Goodwill

Our intangible assets with definite lives consist of customer relationships, technology, brand names, non-compete agreements and patents. These intangible assets are being amortized using the straight-line method over the estimated useful lives of the assets ranging from 2-20 years and have a weighted average amortization period of 11 years. Amortization expense related to definite lived intangible assets was $2,598,000 and $7,438,000 for the three and nine months ended April 30, 2013, respectively, and $2,279,000 and $6,846,000 for the three and nine months ended April 30, 2012, 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:

	April 30, 2013		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 68,754,000	$ (24,748,000)	$ 44,006,000
Technology	21,054,000	(9,094,000)	11,960,000
Brand names	12,758,000	(7,777,000)	4,981,000
Non-compete agreements	3,359,000	(655,000)	2,704,000
Patents and other registrations	1,650,000	(563,000)	1,087,000
	107,575,000	(42,837,000)	64,738,000
Trademarks and trade names	9,427,000	–	9,427,000
Total intangible assets	$ 117,002,000	$ (42,837,000)	$ 74,165,000

	July 31, 2012		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 60,271,000	$ (20,421,000)	$ 39,850,000
Technology	20,797,000	(7,590,000)	13,207,000

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Brand names	11,945,000	(6,778,000)	5,167,000
Non-compete agreements	3,147,000	(404,000)	2,743,000
Patents and other registrations	1,372,000	(463,000)	909,000
	97,532,000	(35,656,000)	61,876,000
Trademarks and trade names	9,435,000	–	9,435,000
Total intangible assets	$ 106,967,000	$ (35,656,000)	$ 71,311,000

Estimated amortization expense of our intangible assets for the remainder of fiscal 2013 and the next five years is as follows:

Three month period ending July 31, 2013	$ 2,597,000
Fiscal 2014	10,099,000
Fiscal 2015	9,840,000
Fiscal 2016	6,600,000
Fiscal 2017	6,024,000
Fiscal 2018	5,747,000

Goodwill changed during fiscal 2012 and the nine months ended April 30, 2013 as follows:

	Endoscopy	Water Purification and Filtration	Healthcare Disposables	Dialysis	All Other	Total Goodwill
Balance, July 31, 2011	$ 9,648,000	$ 52,074,000	$ 55,864,000	$ 8,133,000	$ 9,051,000	$ 134,770,000
Acquisitions	49,582,000	–	–	–	–	49,582,000
Foreign currency translation	–	(309,000)	–	–	(388,000)	(697,000)
Balance, July 31, 2012	59,230,000	51,765,000	55,864,000	8,133,000	8,663,000	183,655,000
Acquisitions	–	597,000	23,977,000	–	–	24,574,000
Foreign currency translation	–	(24,000)	–	–	(29,000)	(53,000)
Balance, April 30, 2013	$ 59,230,000	$ 52,338,000	$ 79,841,000	$ 8,133,000	$ 8,634,000	$ 208,176,000

On July 31, 2012, we performed impairment studies of the Company' s goodwill and indefinite lived trademarks and trade names and concluded that such assets were not 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, 2012, the average fair value of all of our reporting units exceeded book value by substantial amounts, except our Dialysis and Specialty Packaging segments, which had average fair values that exceeded book values by approximately 19% and 24%, respectively. At April 30, 2013, goodwill relating to our Dialysis and Specialty Packaging reporting units were $8,133,000 and $7,110,000, respectively. We believe the most significant assumptions impacting the impairment assessment of Dialysis relate to the projected future operating results and cash flows of this segment, including the impact of the shift from reusable to

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single-use dialyzers as more fully explained in our "Management' s Discussion and Analysis" and in "Risk Factors" in our 2012 Form 10-K. We believe the most significant assumptions impacting the impairment assessment of Specialty Packaging relate to an assumed compounded annual sales growth of 14% and future operating efficiencies included in our projections of future operating results and cash flows of this segment, which forecasts are in excess of historical run rates. If future operating results and cash flows are substantially less than our projections, future impairment charges may be recorded. On April 30, 2013, management concluded that no events or changes in circumstances have occurred during the three and nine months ended April 30, 2013 that would indicate that the carrying amount of our intangible assets and goodwill may not be recoverable.

Note 8. **Warranties**

A summary of activity in the Company' s warranty reserves follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Beginning balance	$ 1,232,000	$ 2,081,000	$ 1,667,000	$ 2,083,000
Provisions	479,000	748,000	1,182,000	2,528,000
Settlements	(634,000)	(881,000)	(1,772,000)	(2,661,000)
Foreign currency translation	–	1,000	–	(1,000)
Ending balance	$ 1,077,000	$ 1,949,000	$ 1,077,000	$ 1,949,000

The warranty provisions and settlements for the three and nine months ended April 30, 2013 and 2012 relate principally to the Company' s endoscope reprocessing and water purification equipment. Warranty reserves are included in accrued expenses in the Condensed Consolidated Balance Sheets.

Note 9. **Financing Arrangements**

In conjunction with the Byrne Acquisition and the impending expiration of our existing revolving credit facility ("Existing Revolver Facility"), we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011 (the "New U.S. Credit Agreement") with our existing consortium of senior lenders to fund the cash consideration paid and the costs associated with the acquisition, as well as to refinance our Existing Revolver Facility. The New U.S. Credit Agreement includes (i) a five-year $100,000,000 senior secured revolving credit facility with sublimits of up to $20,000,000 for letters of credit and up to $5,000,000 for swing line loans (the "Revolving Credit Facility") and (ii) a $50,000,000 senior secured term loan facility (the "Term Loan Facility"). The New U.S. Credit Agreement expires on August 1, 2016. Amounts we repay under the Term Loan Facility may not be reborrowed. Subject to the satisfaction of certain conditions precedent, the Company may from time to time increase the Revolving Credit Facility by an aggregate amount not to exceed $50,000,000 without the consent of the lenders. The senior lenders include Bank of America (the lead bank and administrative agent), PNC Bank, National Association, and Wells Fargo Bank, National Association. Debt issuance costs relating to the New U.S. Credit Agreement were recorded in other assets and are being amortized over the life of the credit facilities. Such unamortized debt issuance costs amounted to $839,000 at April 30, 2013.

Borrowings under the New U.S. Credit Agreement bear interest at rates ranging from 0.25% to 2.00% above the lender' s base rate, or at rates ranging from 1.25% to 3.00% above the London Interbank Offered Rate ("LIBOR"), depending upon the Company' s "Consolidated Leverage Ratio," which is defined as the consolidated ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, and as further adjusted under the terms of the New U.S. Credit Agreement ("Consolidated

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EBITDA"). At April 30, 2013, the lender' s base rate was 3.25% and the LIBOR rates ranged from 0.20% to 0.87%. The margins applicable to our outstanding borrowings were 0.75% above the lender' s base rate or 1.75% above LIBOR. Substantially all of our outstanding borrowings were under LIBOR contracts at April 30, 2013. The New U.S. Credit Agreement also provides for fees on the unused portion of our facilities at rates ranging from 0.25% to 0.50%, depending upon our Consolidated Leverage Ratio; such rate was 0.30% at April 30, 2013.

In order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly $2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%.

The principal amounts of the Term Loan Facility are to be paid in twenty consecutive quarterly installments of $2,500,000 beginning on September 30, 2011. The New U.S. Credit Agreement permits us to make optional prepayments of loans at any time without premium or

penalty other than customary LIBOR breakage fees. We are required to make mandatory prepayments of amounts outstanding under the New U.S. Credit Agreement of: (i) 100% of the net proceeds received from certain sales or other dispositions of all or any part of the Company and its subsidiaries' assets, (ii) 100% of certain insurance and condemnation proceeds received by the Company or any of its subsidiaries, (iii) subject to certain exceptions, 100% of the net cash proceeds received by the Company or any of its subsidiaries from the issuance or occurrence of any indebtedness of the Company or any of its subsidiaries, and (iv) subject to certain exceptions, 100% of the net proceeds of the sale of certain equity.

The New U.S. Credit Agreement contains affirmative and negative covenants reasonably customary for similar credit facilities and is secured by (i) substantially all assets of Cantel and its United States-based subsidiaries (including Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental Products, Inc.) and (ii) a pledge by Cantel of all of the outstanding shares of Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental owned by Cantel and 65% of the outstanding shares of Cantel' s foreign-based subsidiaries. We are in compliance with all financial and other covenants under the New U.S. Credit Agreement.

On April 30, 2013, we had $105,000,000 of outstanding borrowings under the New U.S. Credit Agreement, which consisted of $32,500,000 and $72,500,000 under the Term Loan Facility and the Revolving Credit Facility, respectively, and $27,500,000 was available to be borrowed under our Revolving Credit Facility. Subsequent to April 30, 2013, we repaid $5,000,000 under our Revolving Credit Facility resulting in total outstanding borrowings of $100,000,000 at May 31, 2013.

Note 10. <u>Earnings Per Common Share</u>

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

We include participating securities (unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common

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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.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Numerator for basic and diluted earnings per share:				
Net income	$ 8,998,000	$ 8,174,000	$ 29,026,000	$ 21,688,000
Less income allocated to participating securities	(137,000)	(145,000)	(454,000)	(415,000)
Net income available to common stockholders	$ 8,861,000	$ 8,029,000	$ 28,572,000	$ 21,273,000
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	26,910,626	26,510,240	26,801,127	26,332,676
Dilutive effect of stock options using the treasury stock method and the average market price for the period	172,479	289,943	210,461	302,994
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Earnings per share attributable to common stock:				
Basic earnings per share	$ 0.33	$ 0.30	$ 1.07	$ 0.81
Diluted earnings per share	$ 0.33	$ 0.30	$ 1.06	$ 0.80
Stock options excluded from weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	–	–	–	–

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:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012

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Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Participating securities	417,610	482,218	430,736	512,599
Total weighted average number of shares and common stock equivalents attributable to both common stock and participating securities	27,500,715	27,282,401	27,442,324	27,148,269

Note 11. **Income Taxes**

The consolidated effective tax rate was 35.4% and 36.7% for the nine months ended April 30, 2013 and 2012, respectively. The decrease in the consolidated effective tax rate was principally due to the finalization of tax examinations in March 2013, Federal tax legislation enacted in January 2013 and the prior year unfavorable impact of recording a loss relating to the impairment of an investment, partially offset by a lower level of deductions in the current year as a percentage of pre-tax income, as described below.

For the nine months ended April 30, 2013 and 2012, approximately 96% and 97%, respectively, of our income before income taxes was generated from our United States operations, which had an overall effective tax rate of 36.4% and 37.5%, respectively. The lower overall effective tax rate for the nine months ended April 30, 2013 was principally caused by (i) Federal tax legislation that had expired in December 2011, but was re-enacted retroactively in January 2013 that enabled us to claim the research and experimentation tax credit for calendar 2012, (ii) the simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands that resulted in a favorable tax adjustment in the United States and (iii) not recording a tax benefit in the prior year on a loss relating to the impairment of an investment as a result of the uncertainty of utilizing a capital loss tax benefit in the future. Partially offsetting these factors was a lower overall level of tax credits and deductions as a percentage of pre-tax income as the underlying basis for the various credits and deductions did not increase as much as the increase in pre-tax income.

For the nine months ended April 30, 2013 and 2012, approximately 4% and 3%, respectively, of our income before income taxes was generated from our operations in Canada, Singapore and the Netherlands. Collectively, these operations had an overall effective tax rate of 10.1% and 12.5% for the nine months ended April 30, 2013 and 2012, respectively. All three of these locations have lower statutory income tax rates compared to the United States. The lower effective tax rate for the nine months ended April 30, 2013 was the result of the recording of a tax benefit in our third quarter of fiscal 2013 due to removing a valuation allowance on our net operating loss carryforwards (“NOLs”) in the Netherlands since we believe it is more likely than not that we will utilize the remaining NOLs in the near future as we now have certainty of the amount of remaining NOLs and the likely future pre-tax income in the Netherlands due to the simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands. The effective tax rate for the nine months ended April 30, 2012 was favorably affected by the recognition of tax benefits upon resolution of income tax uncertainties.

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 Condensed 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. Any adjustments upon resolution of income tax uncertainties are recognized in our results of operations. 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

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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 July 31, 2011	$ 191,000
Lapse of statute of limitations	(67,000)
Unrecognized tax benefits on July 31, 2012	124,000
Activity during the nine months ended April 30, 2013	–
Unrecognized tax benefits on April 30, 2013	$ 124,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2005.

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 Condensed Consolidated Financial Statements. However, such amounts have been relatively insignificant due to the amount of our unrecognized tax benefits relating to uncertain tax positions.

Note 12. Commitments and Contingencies

Long-term contractual obligations

As of April 30, 2013, aggregate annual required payments over the remaining fiscal year, the next four years and thereafter under our contractual obligations that have long-term components were as follows:

	Three Months Ending July 31,	Year Ending July 31,					
	2013	2014	2015	2016	2017	Thereafter	Total
	(Amounts in thousands)						
Maturities of the credit facilities	$ 2,500	$ 10,000	$ 10,000	$ 10,000	$ 72,500	$ –	$ 105,000
Expected interest payments under the credit facilities (1)	626	2,353	2,112	1,871	5	–	6,967
Minimum commitments under noncancelable operating leases	923	3,586	2,776	1,868	1,260	4,756	15,169
Acquisition payable	–	–	255	–	–	–	255
Compensation agreements	1,092	3,786	1,496	350	75	–	6,799
Deferred compensation and other	15	54	55	43	42	63	272
Total contractual obligations	$ 5,156	$ 19,779	$ 16,694	$ 14,132	$ 73,882	$ 4,819	$ 134,462

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(1) The expected interest payments under both the term and revolving credit facilities reflect interest rates of 2.41% and 2.40%, which were our weighted average interest rates on outstanding borrowings at April 30, 2013 and reflects the impact of our interest rate swap agreements.

Operating leases

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

Acquisition payable

In connection with the Byrne Acquisition, we agreed that if the aggregate value of the $10,000,000 of Cantel common stock issued as part of the consideration used to acquire the Byrne Medical Business is less than $10,000,000 on July 31, 2014, we will pay to BMI in cash or stock (at our option) an amount equal to the difference between $10,000,000 and the then value of the shares (based on the closing price of Cantel common stock on the NYSE on July 31, 2014), subject to certain conditions and limitations. Accordingly, at April 30, 2013, we have estimated $255,000 as the fair value of this payable, as more fully described in Notes 3 and 6 to the Condensed Consolidated Financial Statements.

Compensation agreements

We have previously entered into various severance contracts with executives of the Company, including our Corporate executive officers and our subsidiary Chief Executive Officers, which define certain compensation arrangements relating to various employment termination scenarios. In conjunction with the acquisitions of the Byrne Medical Business on August 1, 2011, the SPS Business on November 1, 2012 and the Eagle Pure Water Business on December 31, 2012, we entered into three-year employment agreements with certain executive officers of the acquired businesses.

Deferred compensation and other

Deferred compensation and other includes deferred compensation arrangements for certain former Medivators directors and officers and is recorded in other long-term liabilities. Additionally, deferred compensation and other includes an insurance related claim and minimum commitments under noncancelable capital leases.

Note 13. Accumulated Other Comprehensive Income (Loss)

The components and changes in accumulated other comprehensive income (loss) for the three and nine months ended April 30, 2013 and 2012 were as follows:

	Three Months Ended April 30, 2013			Nine Months Ended April 30, 2013		
	Foreign Currency	Interest Rate Swap Agreements	Total	Foreign Currency	Interest Rate Swap Agreements	Total

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	Translation Adjustments			Translation Adjustments		
Beginning balance	$ 8,540,000	$ (145,000)	$ 8,395,000	$ 8,385,000	$ (210,000)	$ 8,175,000
Other comprehensive loss before reclassifications	(243,000)	(60,000)	(303,000)	(32,000)	(74,000)	(106,000)
Income tax effect on other comprehensive loss	51,000	22,000	73,000	(5,000)	27,000	22,000
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the periods	–	53,000	53,000	–	168,000	168,000
Income tax effect on reclassification adjustments	–	(22,000)	(22,000)	–	(63,000)	(63,000)
Ending balance	$ 8,348,000	$ (152,000)	$ 8,196,000	$ 8,348,000	$ (152,000)	$ 8,196,000

	Three Months Ended April 30, 2012			Nine Months Ended April 30, 2012		
	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total
Beginning balance	$ 8,322,000	$ –	$ 8,322,000	$ 9,283,000	$ –	$ 9,283,000
Other comprehensive income (loss) before reclassifications	371,000	(161,000)	210,000	(827,000)	(161,000)	(988,000)
Income tax effect on other comprehensive income (loss)	(67,000)	60,000	(7,000)	170,000	60,000	230,000
Ending balance	$ 8,626,000	$ (101,000)	$ 8,525,000	$ 8,626,000	$ (101,000)	$ 8,525,000

Due to the terms of the interest rate swap agreements as more fully described in Notes 5 and 6, reclassification adjustments from accumulated other comprehensive income (loss) did not occur during the three and nine months ended April 30, 2012.

Note 14. Operating Segments

We are a leading provider of infection prevention and control products and services in the healthcare market. Our products include water purification equipment, sterilants, disinfectants and cleaners, specialized medical device reprocessing systems for endoscopy and renal dialysis, disposable infection control products primarily for dental and GI endoscopy markets, dialysate concentrates and other dialysis supplies, hollow fiber membrane filtration and separation products for medical and non-medical applications, and specialty packaging for the transport and temperature regulation 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.

None of our customers accounted for 10% or more of our consolidated net sales during the nine months ended April 30, 2013 and 2012, except for DaVita Inc. ("DaVita") in the current nine month period, which accounted for approximately 10.5%, or approximately $32,785,000, of our consolidated net sales and approximately 26.8% and 36.6% of our net sales in our Water Purification and Filtration and Dialysis segments, respectively.

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The Company' s segments are as follows:

Endoscopy, which includes medical device reprocessing systems, disinfectants, detergents and other supplies used to high-level disinfect flexible endoscopes and other approved devices. This segment also offers disposable infection control products intended to eliminate the challenges associated with proper cleaning and sterilization of numerous reusable components used in gastrointestinal (GI) endoscopy procedures. Additionally, this segment includes technical maintenance service on its products.

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.

DaVita and another large dialysis provider accounted for approximately 26.8% and 26.3%, respectively, of our Water Purification and Filtration segment net sales for the nine months ended April 30, 2013. Combined, these two customers accounted for approximately 18.0% of our consolidated net sales for the nine months ended April 30, 2013.

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. This segment also offers a broad suite of biological and chemical indicators for purposes of sterility assurance monitoring.

Four customers collectively accounted for approximately 52.8% of our Healthcare Disposables segment net sales and approximately 11.4% of our consolidated net sales during the nine months ended April 30, 2013.

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. This segment does not include water purification products and services sold to dialysis clinics; such sales are reported as part of Water Purification and Filtration.

All Other

In accordance with quantitative thresholds established by ASC 280, we have combined 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 and decontamination services used in various applications for infection prevention and control.

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The operating segments follow the same accounting policies used for our Condensed Consolidated Financial Statements as described in Note 2 to the 2012 Form 10-K.

Information as to operating segments is summarized below:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Net sales:				
Endoscopy	$ 39,694,000	$ 38,606,000	$ 115,795,000	$ 115,037,000
Water Purification and Filtration	29,473,000	25,955,000	88,099,000	76,505,000
Healthcare Disposables	22,674,000	19,336,000	66,968,000	56,668,000
Dialysis	8,072,000	8,902,000	25,019,000	27,180,000
All Other	5,096,000	4,439,000	15,172,000	12,407,000
Total	$ 105,009,000	$ 97,238,000	$ 311,053,000	$ 287,797,000
Operating income:				
Endoscopy	$ 7,241,000	$ 7,847,000	$ 24,386,000	$ 22,081,000
Water Purification and Filtration	2,846,000	2,818,000	10,243,000	8,380,000
Healthcare Disposables	3,991,000	3,529,000	12,791,000	9,138,000
Dialysis	1,990,000	2,217,000	6,478,000	6,578,000
All Other	1,109,000	132,000	2,396,000	(373,000)
	17,177,000	16,543,000	56,294,000	45,804,000
General corporate expenses	(2,954,000)	(2,769,000)	(9,236,000)	(8,089,000)
Interest expense, net	(733,000)	(884,000)	(2,141,000)	(2,861,000)
Other expense	–	–	–	(605,000)
Income before income taxes	$ 13,490,000	$ 12,890,000	$ 44,917,000	$ 34,249,000

Note 15. **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 2. 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:

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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 the three and nine months ended April 30, 2013 compared with the three and nine months ended April 30, 2012.
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.
Forward-Looking Statements provides a discussion of cautionary factors that may affect future results.

Overview

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

- Endoscopy: Medical device reprocessing systems, disinfectants, detergents and other supplies used to high-level disinfect flexible endoscopes. This segment also offers disposable infection control products intended to eliminate the challenges associated with proper cleaning and sterilization of numerous reusable components used in gastrointestinal (GI) endoscopy procedures.

- 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. This segment also offers a broad suite of biological and chemical indicators for purposes of sterility assurance monitoring.

- 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 the 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 the All Other reporting segment.)

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

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

See our Annual Report on Form 10-K for the fiscal year ended July 31, 2012 (the "2012 Form 10-K") and our Condensed Consolidated Financial Statements for additional financial information regarding our reporting segments.

Significant Activity

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(i) For the three and nine months ended April 30, 2013 compared with the three and nine months ended April 30, 2012, net sales increased by 8.0% and 8.1%, respectively, and net income increased 10.1% and 33.8%, respectively. We continue to benefit from having a broad portfolio of infection prevention and control products sold into diverse business segments, where approximately 74% 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:

- higher sales and profitability in our Healthcare Disposables segment, primarily due to the November 1, 2012 acquisition of SPS Medical Supply Corp., increased demand for our face masks and sterility assurance products and improved gross profit percentage,

- improved profitability in our Endoscopy segment for the nine months ended April 30, 2013 principally due to (i) a shift of product mix to higher margin products including increases in sales volume of endoscope reprocessing disinfectant and consumable products as a result of the increased field population of equipment, as well as disposable infection control products used in gastrointestinal (GI) endoscopy procedures as a result of new product introductions, (ii) a favorable net change of $882,000 in general and administrative expenses relating to fair value adjustments of contingent consideration and a price floor financial instrument as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements, (iii) the inclusion in our first quarter of fiscal 2012 of $1,519,000 in one-time acquisition related charges for the Byrne Acquisition and (iv) lower commission expense,

- improved sales in our Water Purification and Filtration segment primarily relating to increased sales of our capital equipment, consumables and service in the dialysis industry mainly attributable to new product introductions such as our heat sanitizable water purification systems, which are sold at higher average selling prices than the systems with the traditional non-heated sanitization technology,

- improved sales and profitability in our Therapeutic Filtration segment due to the market shortage of certain filters as a result of damage done from an earthquake to the manufacturing facilities of a large competitor,

- the implementation of various cost control initiatives such as the closing of our Japan location in July 2012 as part of our decision to service our Japan customers in a more cost effective manner,

- lower interest expense notwithstanding additional borrowings for the acquisition of the SPS Business and our agreement to acquire the hemodialysis water business from Siemens Industry, Inc. and Siemens Canada Limited (collectively, "Siemens"), and

- favorable tax impacts of Federal tax legislation enacted in January 2013 and the finalization of tax examinations in March 2013.

The above factors were partially offset by:

- decreases in sales volume of our endoscope reprocessing equipment as these capital equipment sales were elevated in prior periods partially as a result of our participation in a major initiative by the Veterans Administration to upgrade their hospitals' endoscope reprocessing equipment as well as regulatory issues experienced by a major competitor,

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- the recording within cost of sales of $854,000 and $1,176,000 for the three and nine months ended April 30, 2013, respectively, in medical device excise tax in cost of sales as part of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, which became effective January 2013,

- incurring costs for personnel changes primarily relating to severance and recruiting a Chief Operating Officer during the nine months ended April 30, 2013,

- incurring approximately $226,000 in costs related to the March 2013 agreement to acquire the hemodialysis water business from Siemens, and

- decreases in net sales in our Dialysis operating segment, although we have been able to minimize the adverse impact to the segment' s profitability for the three and nine months ended April 30, 2013 compared with the three and nine months ended April 30, 2012.

(ii) We sell our dialysis products to a concentrated number of customers. Sales in our Dialysis segment were adversely impacted by the decrease in demand for our RENATRON® reprocessing equipment and sterilants, as more fully described elsewhere in this MD&A. This reduction in dialysis sales has reduced overall profitability in this segment from historic levels. 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 reprocessing products is likely to result in continued loss of net sales and a lower level of profitability in this segment in the future. See "Risk Factors" in the 2012 Form 10-K.

(iii) In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. The legislation imposes a significant new tax on medical device makers in the form of an excise tax on certain U.S. medical device sales beginning in January 2013. Since a significant portion of our sales are considered medical device sales under this new legislation, our gross profit percentage is being adversely affected beginning in January 2013, as more fully described elsewhere in this MD&A.

(iv) On March 22, 2013, our Mar Cor subsidiary entered into an agreement to acquire from Siemens certain net assets of Siemens' hemodialysis water business (the "Siemens Water Business" or the "Siemens Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements.

(v) On December 31, 2012, our Mar Cor subsidiary acquired certain net assets of Eagle Pure Water Systems, Inc. (the "Eagle Pure Water Business" or the "Eagle Pure Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements.

(vi) On November 1, 2012, our Crosstex subsidiary acquired all the issued and outstanding stock of SPS Medical Supply Corp. (the "SPS Business" or "SPS Medical"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements.

(vii) On October 31, 2012, our Board of Directors approved an 18% increase in the semiannual cash dividend to $0.055 per share of outstanding common stock, which was paid on December 14, 2012 to shareholders of record at the close of business on November 14, 2012, as more fully described elsewhere in this MD&A.

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(viii) In order to more fully capitalize on the strength of the Medivators brand name currently used in our endoscopy business, we decided to change the name of Minntech Corporation to Medivators Inc. (“Medivators”). The name change was effective on August 1, 2012.

(ix) The Company issued 9,955,000 additional shares of common stock in connection with a three-for-two stock split effected in the form of a 50% stock dividend paid on February 1, 2012 to stockholders of record on January 23, 2012, as more fully described elsewhere in this MD&A.

(x) On August 1, 2011, the start of our prior fiscal year, our Medivators subsidiary acquired the business and substantially all of the assets of Byrne Medical, Inc. (“BMI”), as more fully described in Note 3 to the Condensed Consolidated Financial Statements. Certain components of the acquisition’ s purchase price were recorded at fair value and are continually re-measured at each balance sheet date, which has the potential for creating earnings volatility as further described elsewhere in this MD&A

and in Notes 3 and 6 to the Condensed Consolidated Financial Statements.

(xi) In conjunction with the acquisition of the business and substantially all of the assets of BMI and the impending expiration of our existing credit facility, we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011, as more fully described elsewhere in this MD&A and in Notes 3 and 9 to the Condensed Consolidated Financial Statements. Additionally, in order to protect our interest rate exposure in future years, we entered into interest rate swap agreements in fiscal 2012, as more fully described elsewhere in this MD&A and in Notes 5 and 9 to the Condensed Consolidated Financial Statements.

Results of Operations

The results of operations described below reflect the operating results of Cantel and its wholly-owned subsidiaries. Since the acquisitions of the SPS Business and the Eagle Pure Water Business were consummated on November 1, 2012 and December 31, 2012, respectively, their results of operations are included in the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to their acquisition dates, and are not included in our results of operations for the three and nine months ended April 30, 2012. The acquisition date of the Siemens Water Acquisition is subsequent to April 30, 2013 as a minimal amount of customer service agreements have been assigned to Mar Cor as of April 30, 2013. Consequently, the results of operations of the Siemens Water Business had an insignificant impact on our results of operations for the three and nine months ended April 30, 2013, and are not included in our results of operations for the three and nine months ended April 30, 2012.

The following discussion should also be read in conjunction with our 2012 Form 10-K.

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

	Three Months Ended April 30,				Nine Months Ended April 30,			
	2013		2012		2013		2012	
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
	$	%	$	%	$	%	$	%
Endoscopy	$ 39,694	37.8	$ 38,606	39.7	$ 115,795	37.2	$ 115,037	40.0

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Water Purification and Filtration	29,473	28.0	25,955	26.7	88,099	28.3	76,505	26.6
Healthcare Disposables	22,674	21.6	19,336	19.9	66,968	21.6	56,668	19.7
Dialysis	8,072	7.7	8,902	9.1	25,019	8.0	27,180	9.4
All Other	5,096	4.9	4,439	4.6	15,172	4.9	12,407	4.3
	$ 105,009	100.0	$ 97,238	100.0	$ 311,053	100.0	$ 287,797	100.0

Net Sales

Net sales increased by $7,771,000, or 8.0%, to $105,009,000 for the three months ended April 30, 2013 from $97,238,000 for the three months ended April 30, 2012.

Net sales increased by $23,256,000, or 8.1%, to $311,053,000 for the nine months ended April 30, 2013 from $287,797,000 for the nine months ended April 30, 2012.

The increase in net sales for the three and nine months ended April 30, 2013 was principally

attributable to increases in sales of water purification and filtration products, healthcare disposables products and to a lesser extent, therapeutic filtration products (recorded in the All Other reporting segment).

Net sales of water purification and filtration products and services increased by $3,518,000, or 13.6%, and $11,594,000, or 15.2%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, primarily due to (i) an increase in demand for our water purification capital equipment, consumables and service in the dialysis industry mainly attributable to new product introductions such as our heat sanitizable water purification systems which are also sold at higher average selling prices than systems with the traditional non-heated sanitization technology and (ii) to a lesser extent, price increases on certain water purification products and services, which were implemented to partially offset increased costs.

Net sales of healthcare disposables products increased by $3,338,000, or 17.3%, and $10,300,000, or 18.2%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, principally due to (i) the inclusion of $4,687,000 and $9,349,000, respectively, in net sales from the acquired SPS Business on November 1, 2012 and (ii) increases in customer demand in the United States for our face masks and sterility assurance products. These items were partially offset by the loss of some private label business as a result of a customer' s decision to purchase certain healthcare disposable products from low cost providers including competitors whose products are manufactured in countries that have lower overall operating costs. In addition, elevated customer demand during our second quarter of fiscal 2013 in advance of known price increases implemented in January 2013 adversely affected customer demand during our third quarter of fiscal 2013 since certain customers had built sufficient inventory levels.

Net sales in the All Other reporting segment increased by $657,000, or 14.8%, and $2,765,000, or 22.3%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012. The increase for the three and nine months ended April 30, 2013 was primarily the result of an increase of $605,000 and $2,317,000, respectively, in net sales in our Therapeutic Filtration operating segment due to elevated demand, both in the United States and internationally, for our hemoconcentrator products (a device used to concentrate red blood cells and remove excess fluid from the bloodstream during open-heart surgery). This elevated demand primarily occurred during the first three months of the nine months ended April 30, 2013 as a result of a market shortage of these filters due to damage done from an earthquake to the manufacturing facilities of a large competitor, which were subsequently repaired. However, our third quarter of fiscal 2013 benefited from increased demand as we captured more market share as a result of this event.

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Net sales of endoscopy products and services increased by $1,088,000, or 2.8%, and $758,000, or 0.7%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, primarily due to increases in demand in the United States for (i) our disinfectants, service and consumables due to the increase in the installed base of endoscope reprocessing equipment and (ii) our new product introductions of valves, kits and hybrid tubing procedural products (disposable infection control products used in gastrointestinal (GI) endoscopy procedures). These increases were partially offset by a decrease in demand for our endoscope reprocessing equipment as demand had been elevated in the prior year period, as well as overall lower selling prices of approximately $1,170,000 and $1,830,000, respectively. Demand for our endoscope reprocessing equipment had been elevated during the second half of fiscal 2011 and the first half of fiscal 2012 due to our previous investments in new

product offerings and sales and marketing programs, as well as regulatory issues experienced by a major competitor, all of which enabled us to increase our sales of endoscope reprocessing equipment including successfully participating in a major initiative beginning in the second half of fiscal 2011 by the Veterans Administration to upgrade their hospitals' endoscope reprocessing equipment. Beginning in our second quarter of fiscal 2012, this elevated level of capital equipment sales gradually decreased to a similar level that existed prior to the second half of fiscal 2011. However, we expect disinfectants, service, consumables and equipment accessories, which are sold at higher margins, to continue to benefit as we increase the installed base of endoscope reprocessing equipment.

Net sales of dialysis products and services decreased by $830,000, or 9.3%, and $2,161,000, or 8.0%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, due to decreases in demand in both the United States and internationally (including a decrease from our largest dialysis customer, DaVita, Inc. ("DaVita")) for our RENATRON® dialyzer reprocessing equipment, sterilants and dialysate concentrate product (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). 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. The shift from reusable to single-use dialyzers is principally due to the lowering cost of single-use dialyzers, the ease of using a dialyzer one time, and the commitment of Fresenius Medical Care, 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. In addition, DaVita has been evaluating the economics and other factors associated with single-use versus reuse on a regional basis. This evaluation has resulted in the conversion by DaVita of certain clinics from reuse to single-use and in many cases the opening of new clinics as single-use clinics. A further decrease in the market for reprocessing products is likely to result in continued loss of net sales and a lower level of profitability and operating cash flow in this segment in the future as well as potential future impairments of long-lived assets. Additionally, our Dialysis segment is highly dependent upon DaVita as a customer and any further shift by this customer away from reuse would have a material adverse effect on our Dialysis segment net sales.

Gross profit

Gross profit increased by $2,865,000, or 6.7%, to $45,484,000 for the three months ended April 30, 2013 from $42,619,000 for the three months ended April 30, 2012. Gross profit as a percentage of net sales for the three months ended April 30, 2013 and 2012 was 43.3% and 43.8%, respectively.

Gross profit increased by $12,972,000, or 10.7%, to $134,362,000 for the nine months ended April 30, 2013 from $121,390,000 for the nine months ended April 30, 2012. Gross profit as a percentage of net sales for the nine months ended April 30, 2013 and 2012 was 43.2% and 42.2%, respectively.

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The lower gross profit as a percentage of net sales for the three months ended April 30, 2013 compared with the three months ended April 30, 2012 was primarily due to (i) the inclusion of $854,000 for a new excise tax on qualified U.S. medical device sales beginning January 2013, and (ii) lower selling prices of our Endoscopy procedural products as a result of increased competition and new sales to Group Purchasing Organizations (GPOs) which typically receive

discounted selling prices as a result of their purchasing volume. These items were partially offset by a more favorable sales mix due to increases in sales volume of certain products that carry higher gross margin percentages than each segment' s prior year overall gross profit percentages such as our face masks and sterility assurance products (including sales of products relating to the newly acquired SPS Business) in our Healthcare Disposables segment, disinfectants in our Endoscopy segment and filters in our Therapeutic Filtration segment as well as decreases in sales volume of lower margin products such as endoscope reprocessing equipment in our Endoscopy segment.

The higher gross profit as a percentage of net sales for the nine months ended April 30, 2013 compared with the nine months ended April 30, 2012 was primarily due to (i) a more favorable sales mix as discussed above and (ii) the inclusion in the prior nine month period ended April 30, 2012 of a $893,000 one-time acquisition accounting charge relating to the acquired inventory in the Byrne Acquisition. These items were partially offset by (i) the inclusion of $1,176,000 for a new excise tax on qualified U.S. medical device sales beginning January 2013, (ii) lower selling prices of our Endoscopy procedural products as a result of increased competition and new sales to Group Purchasing Organizations (GPOs) which typically receive discounted selling prices as a result of their purchasing volume, (iii) $417,000 in severance related charges as part of our cost reduction initiatives and (iv) a $177,000 one-time acquisition accounting charge relating to the acquired inventory in the November 1, 2012 acquisition of the SPS Business.

In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010. The legislation imposes a significant new tax on medical device makers in the form of an excise tax on all U.S. medical device sales beginning in January 2013. Since a significant portion of our sales are considered medical device sales under this new legislation, we began recording the excise tax in cost of sales in January 2013 thereby adversely affecting our gross profit percentage. Although we have implemented cost reductions and revenue enhancement initiatives to partially offset this new excise tax, we cannot provide any assurances that we will be successful in further reducing the impact of this tax on our business. Additionally, other elements of this legislation could meaningfully change the way health care is developed and delivered and may materially impact numerous aspects of our business in the future. See “Risk Factors” in our 2012 Form 10-K.

Furthermore, we cannot provide assurances that our gross profit percentage will not be adversely affected in the future (i) by uncertainties associated with our product mix, (ii) by further price competition in certain of our segments such as Healthcare Disposables (due to a more competitive environment as well as competition from products manufactured in China and Southeast Asia, as explained below), Endoscopy (primarily when selling to Group Purchasing Organizations (GPOs) and other price competitive sales) and Dialysis (relating to the market shift from reusable to single-use dialyzers as explained above) or (iii) if raw materials and distribution costs increase and we are unable to implement further price increases. Some of our competitors manufacture certain healthcare disposable products in China and Southeast Asia due to lower overall costs despite expensive shipping costs. Although we believe the quality of our healthcare disposable products, which are generally produced in the United States, are superior, we may experience significant pricing pressure that would adversely affect our gross profit in the future in our Healthcare Disposables segment as a result of low cost competition from products produced in China and Southeast Asia.

Operating Expenses

Selling expenses increased by $856,000, or 6.0%, to $15,096,000 for the three months ended

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April 30, 2013 from $14,240,000 for the three months ended April 30, 2012. For the nine months ended April 30, 2013, selling expenses increased by $1,799,000, or 4.4%, to $42,232,000 from $40,433,000 for the nine months ended April 30, 2012. For the three and nine months ended April 30, 2013, these increases were primarily due to the inclusion of selling expenses relating to the November 1, 2012 acquisition of the SPS Business and increased investments to further develop and support our sales team such as hiring additional sales personnel primarily in our Water Purification and Filtration and Endoscopy segments, funding increased travel budgets and providing annual raises, partially offset by (i) approximately $265,000 and $1,045,000, respectively, in lower commissions due to a change in the structure of our Endoscopy sales commission plan as well as less sales of higher commission products and (ii) lower incentive compensation.

Selling expenses as a percentage of net sales were 14.4% and 14.6% for the three months ended April 30, 2013 and 2012, respectively, and 13.6% and 14.0% for the nine months ended April 30, 2013 and 2012, respectively.

General and administrative expenses increased by $1,378,000, or 11.1%, to $13,766,000 for the three months ended April 30, 2013, from $12,388,000 for the three months ended April 30, 2012, primarily due to the inclusion of general and administrative expenses of the acquired SPS Business on November 1, 2012, an adverse net change of $336,000 relating to fair value adjustments of a price floor financial instrument as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements and the inclusion of $226,000 of acquisition related expenses relating to the agreement to acquire the Siemens' Water Business, partially offset by lower incentive compensation and bad debt expense.

General and administrative expenses increased by $1,614,000, or 4.4%, to $38,196,000 for the nine months ended April 30, 2013, from $36,582,000 for the nine months ended April 30, 2012, primarily due to (i) the inclusion of general and administrative expenses of the acquired SPS Business on November 1, 2012, (ii) higher personnel costs primarily relating to annual salary raises, employee benefit costs, recruiting and compensation costs associated with the hiring of our new Chief Operating Officer and severance and (iii) the inclusion of $226,000 of acquisition related expenses relating to the agreement to acquire the Siemens' Water Business. These increases were partially offset by a favorable net change of $882,000 relating to fair value adjustments of contingent consideration and a price floor financial instrument as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements, the prior year inclusion of $626,000 in acquisition related expenses relating to the Byrne Acquisition and the prior year recording of $309,000 in additional stock-based compensation related to an employment termination which required us to accelerate the vesting of certain stock options and restricted shares.

General and administrative expenses as a percentage of net sales were 13.1% and 12.7% for the three months ended April 30, 2013 and 2012, respectively, and 12.3% and 12.7% for the nine months ended April 30, 2013 and 2012, respectively.

Research and development expenses (which include continuing engineering costs) increased by $182,000 to $2,399,000 for the three months ended April 30, 2013 from $2,217,000 for the three months ended April 30, 2012. For the nine months ended April 30, 2013, research and development expenses increased by $216,000 to $6,876,000, from $6,660,000 for the nine months ended April 30, 2012.

Operating Income by Segment

The following table gives information as to the amount of operating income, as well as operating income as a percentage of net sales, for each of our reporting segments.

	Three Months Ended	Nine Months Ended

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	April 30,				April 30,			
	2013		2012		2013		2012	
	(Dollar amounts in thousands)				(Dollar amounts in thousands)			
	Operating Income	% of Net sales	Operating Income	% of Net sales	Operating Income	% of Net sales	Operating Income	% of Net sales
Endoscopy	$ 7,241	18.2%	$ 7,847	20.3%	$ 24,386	21.1%	$ 22,081	19.2%
Water Purification and Filtration	2,846	9.7%	2,818	10.9%	10,243	11.6%	8,380	11.0%
Healthcare Disposables	3,991	17.6%	3,529	18.3%	12,791	19.1%	9,138	16.1%
Dialysis	1,990	24.7%	2,217	24.9%	6,478	25.9%	6,578	24.2%
All Other	1,109	21.8%	132	3.0%	2,396	15.8%	(373)	-3.0%
Operating income	17,177	16.4%	16,543	17.0%	56,294	18.1%	45,804	15.9%
General corporate expenses	(2,954)		(2,769)		(9,236)		(8,089)	
Income before interest, other expense and income taxes	$ 14,223	13.5%	$ 13,774	14.2%	$ 47,058	15.1%	$ 37,715	13.1%

The Endoscopy segment' s operating income decreased by $606,000, or 7.7%, for the three months ended April 30, 2013, compared with the three months ended April 30, 2012, primarily due to (i) a decrease in demand for our endoscope reprocessing equipment, (ii) lower selling prices of disposable procedural products, (iii) the recording of new medical device excise taxes beginning in January 2013, (iv) additional investments in our sales team and (v) a net adverse change of $336,000 in general and administrative expenses relating to fair value adjustments of a price floor financial instrument as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements. Partially offsetting these items were (i) increases in demand in the United States for our disinfectants, service, consumables and disposable procedural GI products, which are all higher margin products, (ii) lower commission expense and (iii) lower warranty expense per unit relating to our endoscope reprocessing equipment.

The Endoscopy segment' s operating income increased by $2,305,000, or 10.4%, for the nine months ended April 30, 2013, compared with the nine months ended April 30, 2012, primarily due to (i) increases in demand in the United States for our disinfectants, service, consumables and disposable procedural products, which are all higher margin products, (ii) the inclusion in our first quarter of fiscal 2012 of a $893,000 one-time acquisition accounting charge relating to the acquired inventory in the Byrne Acquisition, (iii) a favorable net change of $882,000 in general and administrative expenses relating to fair value adjustments of contingent consideration and a price floor financial instrument as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements, (iv) the prior year inclusion of $626,000 in acquisition related expenses relating to the Byrne Acquisition, (v) lower commission expense and (vi) lower warranty expense per unit relating to our endoscopy reprocessing equipment. These items were partially offset by (i) a decrease in demand for our endoscope reprocessing equipment, (ii) lower selling prices of disposable procedural products, (iii) the recording of new medical device excise taxes beginning in January 2013, (iv) additional investments in our sales team and

(v) $417,000 in severance related charges as part of our cost reduction initiatives.

The Water Purification and Filtration segment' s operating income increased by $28,000, or 1.0%, and $1,863,000, or 22.2%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, primarily due to an increase in demand for our water purification capital equipment, consumables and service in the dialysis industry mainly attributable to new product introductions such as our heat sanitizable water purification systems. Partially offsetting these increases were (i) an increase in selling expenses due to the expansion of our sales team, (ii) annual salary increases, (iii) the inclusion of an excise tax on qualified U.S. medical device sales beginning January 2013, (iv) approximately $226,000 of acquisition costs related to the March 2013 agreement to acquire the Siemens Water Business and (v) an increase in warranty expense per unit relating to certain water purification capital equipment.

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The Healthcare Disposables segment' s operating income increased by $462,000, or 13.1%, and $3,653,000, or 40.0%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, primarily due to improved gross profit percentage, as explained above, and the acquisition of the SPS Business on November 1, 2012, partially offset by (i) a decrease in customer demand during our third quarter of fiscal 2013 since certain customers had built sufficient inventory levels by purchasing inventory during our second quarter of fiscal 2013 in advance of known price increases implemented in January 2013, (ii) an increase in selling expenses during the third quarter of fiscal 2013 primarily due to additional advertising costs and (iii) the inclusion of an excise tax on qualified U.S. medical device sales beginning January 2013.

The Dialysis segment' s operating income decreased by $227,000, or 10.2%, and $100,000, or 1.5%, for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, primarily due to a decrease in net sales of sterilants and RENATRON® dialyzer reprocessing equipment, which are the higher margin products in this segment and the inclusion of an excise tax on qualified U.S. medical device sales beginning January 2013. Partially offsetting these items were decreases in sales and marketing expense and general and administrative expense as a result of various cost control initiatives such as the allocation of certain internal resources to other segments as well as the closing of our Japan location in July 2012 as part of our decision to service our Japan customers in a more cost effective manner.

Operating income in our All Other reporting segment increased by $977,000 and $2,769,000 for the three and nine months ended April 30, 2013, respectively, compared with the three and nine months ended April 30, 2012, due to increases in operating income of our Therapeutic Filtration operating segment of $596,000 and $2,119,000, respectively, as a result of elevated demand for our filters, as explained above, as well as the implementation of various cost control initiatives such as changes in the management structure and the closing of our Japan location in July 2012 as part of our decision to service our Japan customers in a more cost effective manner, partially offset by the inclusion of an excise tax on qualified U.S. medical device sales beginning January 2013.

General corporate expenses relate to certain unallocated corporate costs primarily related to executive management personnel and being a publicly traded company. The increase in such costs for the three and nine months ended April 30, 2013, compared with the three and nine months ended April 30, 2012, is primarily due to the addition of internal and external resources including the hiring of a Chief Operating Officer in November 2012.

Interest

Interest expense decreased by $148,000 to $749,000 for the three months ended April 30, 2013, from $897,000 for the three months ended April 30, 2012. For the nine months ended April 30, 2013, interest expense decreased by $742,000 to $2,186,000, from $2,928,000 for the nine months ended April 30, 2012, primarily due to a decrease in average outstanding borrowings.

Interest income increased by $3,000 to $16,000 for the three months ended April 30, 2013, from $13,000 for the three months ended April 30, 2012. For the nine months ended April 30, 2013, interest income decreased by $22,000 to $45,000, from $67,000 for the nine months ended April 30, 2012.

Other expense

In our second quarter of fiscal 2012, a $605,000 loss was recorded in other expense relating to the impairment of our investment in a company that developed a patented and proprietary antimicrobial agent.

Income taxes

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The consolidated effective tax rate was 35.4% and 36.7% for the nine months ended April 30, 2013 and 2012, respectively. The decrease in the consolidated effective tax rate was principally due to the finalization of tax examinations in March 2013, Federal tax legislation enacted in January 2013 and the prior year unfavorable impact of recording a loss relating to the impairment of an investment, partially offset by a lower level of deductions in the current year as a percentage of pre-tax income, as described below.

For the nine months ended April 30, 2013 and 2012, approximately 96% and 97%, respectively, of our income before income taxes was generated from our United States operations, which had an overall effective tax rate of 36.4% and 37.5%, respectively. The lower overall effective tax rate for the nine months ended April 30, 2013 was principally caused by (i) Federal tax legislation that had expired in December 2011, but was re-enacted retroactively in January 2013 that enabled us to claim the research and experimentation tax credit for calendar 2012, (ii) the simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands that resulted in a favorable tax adjustment in the United States and (iii) not recording a tax benefit in the prior year on a loss relating to the impairment of an investment as a result of the uncertainty of utilizing a capital loss tax benefit in the future. Partially offsetting these factors was a lower overall level of tax credits and deductions as a percentage of pre-tax income as the underlying basis for the various credits and deductions did not increase as much as the increase in pre-tax income.

For the nine months ended April 30, 2013 and 2012, approximately 4% and 3%, respectively, of our income before income taxes was generated from our operations in Canada, Singapore and the Netherlands. Collectively, these operations had an overall effective tax rate of 10.1% and 12.5% for the nine months ended April 30, 2013 and 2012, respectively. All three of these locations have lower statutory income tax rates compared to the United States. The lower effective tax rate for the nine months ended April 30, 2013 was the result of the recording of a tax benefit in our third quarter of fiscal 2013 due to removing a valuation allowance on our net operating loss carryforwards ("NOLs") in the Netherlands since we believe it is more likely than not that we will utilize the remaining NOLs in the near future as we now have certainty of the amount of remaining NOLs and the likely future pre-tax income in the Netherlands due to the

simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands. The effective tax rate for the nine months ended April 30, 2012 was favorably affected by the recognition of tax benefits upon resolution of income tax uncertainties.

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 Condensed 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. Any adjustments upon resolution of income tax uncertainties are recognized in our results of operations. 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. 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, 2011	$ 191,000
Lapse of statute of limitations	(67,000)
Unrecognized tax benefits on July 31, 2012	124,000

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Activity during the nine months ended April 30, 2013	–
Unrecognized tax benefits on April 30, 2013	$ 124,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2005.

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 Condensed 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 Condensed Consolidated Statements of Income:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Cost of sales	$ 41,000	$ 51,000	$ 133,000	$ 141,000
Operating expenses:				
Selling	69,000	109,000	250,000	300,000
General and administrative	802,000	533,000	2,396,000	2,545,000
Research and development	7,000	13,000	27,000	33,000
Total operating expenses	878,000	655,000	2,673,000	2,878,000
Stock-based compensation before income taxes	919,000	706,000	2,806,000	3,019,000
Income tax benefits	(332,000)	(247,000)	(1,008,000)	(1,073,000)
Total stock-based compensation expense, net of tax	$ 587,000	$ 459,000	$ 1,798,000	$ 1,946,000
Decrease in earnings per common share due to stock-based compensation:				
Basic	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Diluted	$ 0.02	$ 0.02	$ 0.07	$ 0.07

The above stock-based compensation expense before income taxes was recorded in the Condensed Consolidated Financial Statements as stock-based compensation expense and an increase to additional paid-in capital. The related income tax benefits 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. All of our stock options and stock awards (which consist only of restricted shares) are expected to be deductible for tax purposes, except for certain options and restricted shares granted to employees residing outside of the United States, and were tax-effected using the Company' s estimated U.S. effective tax rate at the time of grant.

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The stock-based compensation expense recorded in the Condensed 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, accelerated vesting related to certain employment terminations and assumptions used in determining 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. If the market price of our common stock increases or factors change and we employ different assumptions in the application of Accounting Standards Codification ("ASC") Topic 718, *"Compensation – Stock Compensation,"* ("ASC 718"), the compensation expense that we would record for future stock awards may differ significantly from what we have recorded in the current period.

All of our stock options and stock awards 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 April 30, 2013, total unrecognized stock-based compensation expense before income taxes related to total nonvested stock options and stock awards was $5,371,000 with a remaining weighted average period of 19 months over which such expense is expected to be recognized. The majority of our nonvested awards relate to stock awards.

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its United States income tax return. Accordingly, we account for the income tax effect on such income tax deductions as a reduction of previously recorded long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) and as a reduction of income taxes payable in the year of the deduction. 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 which was determined based upon the award' s fair value at the time the award was granted. The differences noted above between actual tax deductions and the previously recorded long-term deferred income tax assets are recorded as additional paid-in capital. For the nine months ended April 30, 2013 and 2012, income tax deductions of $3,073,000 and $2,435,000, respectively, were generated and increased additional paid-in capital by $1,986,000 and $1,315,000, respectively. We classify the cash flows resulting from excess tax benefits as financing cash flows in our Condensed Consolidated Statements of Cash Flows.

Liquidity and Capital Resources

Working capital

At April 30, 2013, our working capital was $88,923,000, compared with $78,751,000 at July 31, 2012. This increase was primarily due to the significant growth in operating income, as more fully explained elsewhere in this MD&A, and the November 1, 2012 acquisition of the SPS Business, which contributed total working capital of $2,293,000 on the date of the acquisition.

Cash flows from operating activities

Net cash provided by operating activities was $34,491,000 and $32,853,000 for the nine months ended April 30, 2013 and 2012, respectively. For the nine months ended April 30, 2013, the net cash provided by operating activities was primarily due to net income (after adjusting for depreciation, amortization, stock-based compensation expense and deferred taxes) and an increase in income taxes receivable (due to the timing associated with tax payments), partially offset by increases in inventories (due to planned strategic increases in stock levels of certain products primarily in our Water Purification and Filtration and Healthcare Disposables segments) and accounts receivable (primarily due to strong sales in the three months ended April 30, 2013) and a decrease in accounts payable and other current liabilities (due primarily to the timing associated with incentive compensation and vendor payments).

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For the nine months ended April 30, 2012, the net cash provided by operating activities was primarily due to net income (after adjusting for depreciation, amortization, stock-based compensation expense and deferred taxes) and a decrease in accounts receivable (due to strong collections of receivables in the Endoscopy segment), partially offset by a decrease in accounts payable and other current liabilities (due primarily to the timing associated with incentive compensation and vendor payments) and increases in inventories (due to planned strategic increases in stock levels of certain products primarily in our Endoscopy and Water Purification and Filtration segments).

Cash flows from investing activities

Net cash used in investing activities was $49,208,000 and $101,724,000 for the nine months ended April 30, 2013 and 2012, respectively. For the nine months ended April 30, 2013, the net cash used in investing activities was primarily for the acquisition of the SPS Business, the agreement to acquire the Siemens' Water Business and to a lesser extent, capital expenditures. For the nine months ended April 30, 2012, the net cash used in investing activities was primarily for the acquisition of the Byrne Medical Business and to a lesser extent, capital expenditures.

Cash flows from financing activities

Net cash provided by financing activities was $15,166,000 and $75,594,000 for the nine months ended April 30, 2013 and 2012, respectively. For the nine months ended April 30, 2013, the net cash provided by financing activities was primarily due to borrowings under our revolving credit facility relating to the acquisition of the SPS Business and our agreement to acquire the Siemens Water Business, partially offset by repayments under our credit facilities. For the nine months ended April 30, 2012, the net cash provided by financing activities was due primarily to borrowings under our credit facilities relating to the acquisition of the Byrne Medical Business, partially offset by repayments under our credit facilities.

Dividends

On October 31, 2012, our Board of Directors approved an 18% increase in the semiannual cash dividend to $0.055 per share of outstanding common stock, which was paid on December 14, 2012 to shareholders of record at the close of business on November 14, 2012. 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.

On February 1, 2012, the Company issued 9,955,000 additional shares of common stock in connection with a three-for-two stock split effected in the form of a 50% stock dividend paid on February 1, 2012 to stockholders of record on January 23, 2012.

Long-term contractual obligations

As of April 30, 2013, aggregate annual required payments over the remaining fiscal year, the next four years and thereafter under our contractual obligations that have long-term components were as follows:

	Three Months Ending July 31,	Year Ending July 31,

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	2013	2014	2015	2016	2017	Thereafter	Total
	(Amounts in thousands)						
Maturities of the credit facilities	$ 2,500	$ 10,000	$ 10,000	$ 10,000	$ 72,500	$ –	$ 105,000
Expected interest payments under the credit facilities (1)	626	2,353	2,112	1,871	5	–	6,967
Minimum commitments under noncancelable operating leases	923	3,586	2,776	1,868	1,260	4,756	15,169
Acquisition payable	–	–	255	–	–	–	255
Compensation agreements	1,092	3,786	1,496	350	75	–	6,799
Deferred compensation and other	15	54	55	43	42	63	272
Total contractual obligations	$ 5,156	$ 19,779	$ 16,694	$ 14,132	$ 73,882	$ 4,819	$ 134,462

(1) The expected interest payments under both the term and revolving credit facilities reflect interest rates of 2.41% and 2.40%, which were our weighted average interest rates on outstanding borrowings at April 30, 2013 and reflects the impact of our interest rate swap agreements.

New U.S. Credit Agreement

In conjunction with the Byrne Acquisition and the impending expiration of our existing revolving credit facility (“Existing Revolver Facility”), we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011 (the “New U.S. Credit Agreement”) with our existing consortium of senior lenders to fund the cash consideration paid and the costs associated with the acquisition, as well as to refinance our Existing Revolver Facility. The New U.S. Credit Agreement includes (i) a five-year $100,000,000 senior secured revolving credit facility with sublimits of up to $20,000,000 for letters of credit and up to $5,000,000 for swing line loans (the “Revolving Credit Facility”) and (ii) a $50,000,000 senior secured term loan facility (the “Term Loan Facility”). The New U.S. Credit Agreement expires on August 1, 2016. Amounts we repay under the Term Loan Facility may not be reborrowed. Subject to the satisfaction of certain conditions precedent, the Company may from time to time increase the Revolving Credit Facility by an aggregate amount not to exceed $50,000,000 without the consent of the lenders. The senior lenders include Bank of America (the lead bank and administrative agent), PNC Bank, National Association, and Wells Fargo Bank, National Association. Debt issuance costs relating to the New U.S. Credit Agreement were recorded in other assets and are being amortized over the life of the credit facilities. Such unamortized debt issuance costs amounted to $839,000 at April 30, 2013.

Borrowings under the New U.S. Credit Agreement bear interest at rates ranging from 0.25% to 2.00% above the lender’ s base rate, or at rates ranging from 1.25% to 3.00% above the London Interbank Offered Rate (“LIBOR”), depending upon the Company’ s “Consolidated Leverage Ratio,” which is defined as the consolidated ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, and as further adjusted under the terms of the New U.S. Credit Agreement (“Consolidated EBITDA”). At May 31, 2013, the lender’ s base rate was 3.25% and the LIBOR rates ranged from 0.19% to 0.87%. The margins applicable to our outstanding borrowings were 0.75% above the lender’ s base rate or 1.75% above LIBOR. Substantially all of our outstanding borrowings were under LIBOR contracts at May 31, 2013. The New U.S. Credit Agreement also provides for fees on the unused portion of our facilities at rates ranging from 0.25% to 0.50%, depending upon our Consolidated Leverage Ratio; such rate was 0.30% at May 31, 2013.

In order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly

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$2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%.

The principal amounts of the Term Loan Facility are to be paid in twenty consecutive quarterly installments of $2,500,000 beginning on September 30, 2011. The New U.S. Credit Agreement permits us to make optional prepayments of loans at any time without premium or penalty other than customary LIBOR breakage fees. We are required to make mandatory prepayments of amounts outstanding under the New U.S. Credit Agreement of: (i) 100% of the net proceeds received from certain sales or other dispositions of all or any part of the Company and its subsidiaries' assets, (ii) 100% of certain insurance and condemnation proceeds received by the Company or any of its subsidiaries, (iii) subject to certain exceptions, 100% of the net cash proceeds received by the Company or any of its subsidiaries from the issuance or occurrence of any indebtedness of the Company or any of its subsidiaries, and (iv) subject to certain exceptions, 100% of the net proceeds of the sale of certain equity.

The New U.S. Credit Agreement contains affirmative and negative covenants reasonably customary for similar credit facilities and is secured by (i) substantially all assets of Cantel and its United States-based subsidiaries (including Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental Products, Inc.) and (ii) a pledge by Cantel of all of the outstanding shares of Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental owned by Cantel and 65% of the outstanding shares of Cantel' s foreign-based subsidiaries. We are in compliance with all financial and other covenants under the New U.S. Credit Agreement.

On April 30, 2013, we had $105,000,000 of outstanding borrowings under the New U.S. Credit Agreement, which consisted of $32,500,000 and $72,500,000 under the Term Loan Facility and the Revolving Credit Facility, respectively. Subsequent to April 30, 2013, we repaid $5,000,000 under our Revolving Credit Facility resulting in total outstanding borrowings of $100,000,000 at May 31, 2013 and $32,500,000 was available to be borrowed under our Revolving Credit Facility.

Operating leases

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

Acquisition payable

In connection with the Byrne Acquisition, we agreed that if the aggregate value of the $10,000,000 of Cantel common stock issued as part of the consideration used to acquire the Byrne Medical Business is less than $10,000,000 on July 31, 2014, we will pay to BMI in cash or stock (at our option) an amount equal to the difference between $10,000,000 and the then value of the shares (based on the closing price of Cantel common stock on the NYSE on July 31, 2014),

subject to certain conditions and limitations. Accordingly, at April 30, 2013, we have estimated $255,000 as the fair value of this payable, as more fully described in Notes 3 and 6 to the Condensed Consolidated Financial Statements.

Compensation agreements

We have previously entered into various severance contracts with executives of the Company, including our Corporate executive officers and our subsidiary Chief Executive Officers, which define certain compensation arrangements relating to various employment termination scenarios. In conjunction with the acquisitions of the Byrne Medical Business on August 1, 2011, the SPS

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Business on November 1, 2012 and the Eagle Pure Water Business on December 31, 2012, we entered into three-year employment agreements with certain executive officers of the acquired businesses.

Deferred compensation and other

Deferred compensation and other includes deferred compensation arrangements for certain former Medivators directors and officers and is recorded in other long-term liabilities. Additionally, deferred compensation and other includes an insurance related claim and minimum commitments under noncancelable capital leases.

Financing needs

Although most of our operating segments generate significant cash from operations, our Endoscopy, Healthcare Disposables, Dialysis and Water Purification and Filtration segments are the largest generators of cash. At April 30, 2013, we had a cash balance of $30,669,000, of which $5,025,000 was held by foreign subsidiaries. Such foreign cash is needed by our foreign subsidiaries for working capital purposes and is currently unavailable for repatriation.

We believe that our current cash position, anticipated cash flows from operations and the funds available under our New U.S. Credit Agreement 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 May 31, 2013, $32,500,000 was available under our New U.S. Credit Agreement. In addition, subject to the satisfaction of certain conditions precedent, the Company may from time to time increase the New U.S. Credit Agreement by an aggregate amount not to exceed $50,000,000 without the consent of the lenders.

Foreign currency

The financial statements of our Canadian subsidiaries are translated using the accounting policies described in Note 2 to the 2012 Form 10-K 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 affect 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. Furthermore, certain cash bank accounts, accounts receivable and liabilities of our Canadian and United States subsidiaries are denominated and ultimately settled in United States dollars or Canadian dollars but must be converted into their functional currency.

Changes in the value of the Euro, Singapore dollar and British pound against the United States dollar affect our results of operations because certain cash bank accounts, accounts receivable and liabilities of our subsidiaries are denominated and ultimately settled in Euros, Singapore dollars or British pounds but must be converted into their functional currency. Furthermore, the financial statements of our Netherlands subsidiary are translated using the accounting policies described in Note 2 of the 2012 Form 10-K and therefore are impacted by changes in the Euro exchange rate relative to the United States dollar.

In order to hedge against the impact of fluctuations in the value of (i) the Euro relative to the United States dollar, (ii) the Singapore dollar 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 Euros, Singapore dollars 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 $2,807,000 at May 31, 2013, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expire on June 30, 2013. These foreign currency forward contracts are continually replaced with new one-month contracts as long as we have

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significant net assets at our subsidiaries that are denominated and ultimately settled in currencies other than their functional currencies. Gains and losses related to these hedging contracts to buy Euros, Singapore dollars and British pounds forward are immediately realized within general and administrative expenses due to the short-term nature of such contracts. For the three and nine months ended April 30, 2013, such forward contracts substantially offset the impact on operations related to certain assets and liabilities that are denominated in currencies other than our subsidiaries' functional currencies. We do not currently hedge against the impact of fluctuations in the value of the Canadian dollar relative to the United States dollar because the currency impact on our Canadian or United States subsidiaries' assets closely offset the currency impact on our Canadian or United States subsidiaries' liabilities effectively minimizing realized gains and losses.

Overall, fluctuations in the rates of currency exchange had an insignificant impact upon our net income for the three and nine months ended April 30, 2013 compared with the three and nine months ended April 30, 2012.

For purposes of translating the balance sheet at April 30, 2013 compared with July 31, 2012, the total of the foreign currency movements resulted in a foreign currency translation loss of $37,000, net of tax, for the nine months ended April 30, 2013, thereby decreasing stockholders' equity.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our Condensed 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 disclosures 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 Condensed 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 endoscopy, dialysis, therapeutic, specialty packaging and chemistries 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. 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, or post-delivery obligations such as installation has been substantially fulfilled such that the products are deemed functional by the end-user.

A portion of our endoscopy, water purification and filtration and dialysis sales are recognized as multiple element arrangements, whereby revenue is allocated to the equipment and installation components based upon vendor specific objective evidence, which includes comparable historical transactions of similar equipment and installation sold as stand-alone components. If vendor-specific objective evidence of selling price is not available, we allocate revenue to the elements of the bundled arrangement using the estimated selling price method in order to qualify the components as separate units of accounting. Revenue on the equipment

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component is recognized as the equipment is shipped to customers and title passes. Revenue on the installation component is recognized when the installation is complete.

A portion of our healthcare disposables sales relating to the mail-in spore test kit is recorded as deferred revenue when initially sold. We recognize the revenue on these test kits using an estimate based on historical experience of the amount of time that elapses from the point of sale to when the kit is returned to us and we communicate to the customer the results of the required laboratory test. The related cost of the kits is recorded in inventory and recognized in cost of sales as the revenue is earned.

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 Endoscopy 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, except a small portion of our sterility assurance products in our Healthcare Disposables segment. With respect to the sterility assurance products, in addition to a restocking fee and payment of freight by the customer, such returns must be undamaged, returned within 90 days and meet certain other criteria before products are accepted for return. As historical returns of these products have been rare, we record a nominal allowance for such product returns. For all other products, 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, healthcare disposables, water purification and filtration and endoscopy customers, rebates are provided; such rebates, which consist primarily of volume rebates, are provided for as a reduction of sales at the time of revenue recognition and amounted to $942,000 and $3,223,000 for the three and nine months ended April 30, 2013, respectively, and $1,002,000 and $2,894,000 for the three and nine months ended April 30, 2012, respectively. 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 rebate provisions originally established would be adjusted accordingly.

Our endoscopy products and services are sold primarily to distributors internationally and directly to hospitals and other end-users in the United States; 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; the majority of our healthcare disposable products are sold to third party distributors and with respect to some of our sterility assurance products, to hospitals, surgery centers, physician and dental offices, dental schools, medical research companies, laboratories and other end-users; the majority of our dialysis products are sold to dialysis clinics and hospitals; the majority of therapeutic filtration products are sold to third party distributors; 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

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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 2 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 responsible for determining if impairment exists and considers a number of factors, including third-party valuations, when making these determinations.

On July 31, 2012, we adopted Accounting Standards Update ("ASU") 2011-08, *"Intangibles – Goodwill and Other,"* ("ASU 2011-08"), which amends current guidance to allow a company to first assess qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount before proceeding to step one of the two-step quantitative goodwill impairment test, if necessary. At July 31, 2012, because we determined through qualitative factors that the fair values of our Water Purification and Filtration and Healthcare Disposables segments were unlikely to be less than the carrying value, we did not proceed to step one of the two-step quantitative goodwill impairment test for those two segments. We performed step one of the two-step quantitative goodwill impairment test for Endoscopy (due to the increase in assets related to the Byrne Acquisition), Dialysis, Therapeutic Filtration, Chemistries (due to the decrease in operating income in the Dialysis, Therapeutic Filtration and Chemistries segments in fiscal 2012 compared with fiscal 2011) and Specialty Packaging (due to a change in assumptions used in the previous projection of future operating results). In performing a detailed quantitative 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 fair value results of the discounted cash flow methodology, as well as the market multiple and comparable transaction methodologies when applicable. The first step is a review for potential impairment, and the second step measures the amount of impairment, if any.

On July 31, 2012, we adopted ASU 2012-02, *"Intangibles – Goodwill and Other,"* ("ASU 2012-02"), which further expanded the use of a qualitative assessment to indefinite-lived intangible assets to determine whether further impairment testing is necessary. Accordingly, in performing our annual review for indefinite lived intangibles, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of such assets is less than the carrying values, and if necessary, performs a quantitative analysis comparing the current fair value of our indefinite lived intangibles assets to their carrying values. With respect to

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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, 2012, 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, 2012, the average fair value of all of our reporting units exceeded book value by substantial amounts, except our Dialysis and Specialty Packaging segments, which had average fair values that exceeded book values by approximately 19% and 24%, respectively. At April 30, 2013, goodwill relating to our Dialysis and Specialty Packaging reporting units were $8,133,000 and $7,110,000, respectively. We believe the most significant assumptions impacting the impairment assessment of Dialysis relate to the projected future operating results and cash flows of this segment, including the impact of the shift from reusable to single-use dialyzers as more fully explained elsewhere in this MD&A and in "Risk Factors" in our 2012 Form 10-K. We believe the most significant assumptions impacting the impairment assessment of Specialty Packaging relate to an assumed compounded annual sales growth of 14% and future operating efficiencies included in our projections of future operating results and cash flows of this segment, which forecasts are in excess of historical run rates. If future operating results and cash flows are substantially less than our projections, future impairment charges may be recorded. On April 30, 2013, management concluded that no events or changes in circumstances have occurred during the three and nine months ended April 30, 2013 that would indicate that the carrying amount of our intangible assets and goodwill may not be recoverable.

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. 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. On April 30, 2013, management concluded that no events or changes in circumstances have occurred that would indicate that the carrying amount of our long-lived assets may not be recoverable.

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. 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.

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Stock-Based Compensation

We account for stock options and stock awards in which stock compensation expense is recognized for any option or stock award grant 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, 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 Condensed 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, accelerated vesting related to certain employment terminations 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 0.3% 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 as well as net operating loss carryforwards. 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 income tax rates, principally in the United States. If the income 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.

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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 Condensed 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. Any adjustments upon resolution of income tax uncertainties are recognized in our results of operations. Unrecognized tax benefits are analyzed periodically and adjustments are made as events occur to warrant adjustment to the related liability.

Medical Device Taxes

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 imposes significant new taxes on medical device makers in the form of an excise tax on certain U.S. medical device sales beginning in January 2013. A significant portion of our sales are considered medical device sales under this new legislation. We calculate medical device excise taxes based on the latest available regulations and recognize the excise taxes in cost of sales at the time the medical device revenue is recognized in our Condensed Consolidated Statements of Income. For the three and nine months ended April 30, 2013, we recorded excise taxes of $854,000 and $1,176,000, respectively, in cost of sales. The regulations regarding the calculations of the medical device taxes have yet to be fully finalized, are complicated in nature and certain aspects can be subject to interpretation. Although we have made all reasonable efforts to record accurate excise taxes, the determination of the tax requires us to make certain assumptions and estimates. Actual taxes for the period could differ from original estimates requiring adjustments to our Condensed Consolidated Financial Statements.

Business Combinations

Acquisitions require significant estimates and judgments related to the fair value of assets acquired and liabilities assumed. We determine fair value based on the estimated 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.

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 contingent consideration, 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. We account for contingent consideration relating to business combinations that occurred subsequent to July 31, 2009 in accordance with ASC 805, *"Business Combinations,"* which requires us to record the fair value of contingent consideration as a liability and an increase to goodwill at the date of the acquisition and continually re-measure the liability at each balance sheet date by recording changes in the fair value through our Condensed Consolidated Statements of Income. We determine the fair value of contingent consideration based on future operating projections under various potential scenarios and weight the probability of these outcomes. Similarly, other components of an acquisition' s purchase price can be required to be recorded at fair value at the date of the acquisition and continually re-measured at each balance sheet date, such as the three year price floor relating to the Byrne acquisition which fair value was determined using an option valuation model, as further described in Notes 3 and 6 to the Condensed Consolidated Financial Statements. The ultimate settlement of liabilities relating to business combinations may be for amounts which are materially different from the amounts initially recorded and may cause volatility in our results of operations.

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.

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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.

Other Matters

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

Forward Looking Statements

This quarterly report on Form 10-Q 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
- 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 impact of U.S. health care reform legislation and other health care policy changes, including the imposition of significant new taxes on medical device makers in the form of an excise tax on U.S. medical device sales beginning in January 2013

- 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" in our 2012 Form 10-K 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.

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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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Foreign Currency 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 cash bank accounts, accounts receivable and liabilities of our Canadian and United States subsidiaries are denominated and ultimately settled in United States dollars or Canadian 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 2012 Form 10-K.

Changes in the value of the Euro, Singapore dollar and British pound against the United States dollar affect our results of operations because certain cash bank accounts, accounts receivable and liabilities of our subsidiaries are denominated and ultimately settled in Euros, Singapore dollars or British pounds but must be converted into their functional currency. Furthermore, the financial statements of our Netherlands subsidiary are translated using the accounting policies described in Note 2 of the 2012 Form 10-K and therefore are impacted by

changes in the Euro exchange rate relative to the United States dollar.

In order to hedge against the impact of fluctuations in the value of (i) the Euro relative to the United States dollar, (ii) the Singapore dollar 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 Euros, Singapore dollars 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 $2,488,000 at April 30, 2013, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on May 31, 2013. 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. For the three and nine months ended April 30, 2013, such forward contracts substantially offset the impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. We do not currently hedge against the impact of fluctuations in the value of the Canadian dollar relative to the United States dollar because the currency impact on our Canadian and United States subsidiaries' assets closely offset the currency impact on our Canadian and United States subsidiaries' liabilities effectively minimizing realized gains and losses.

Overall, fluctuations in the rates of currency exchange had an insignificant impact on our net income for the three and nine months ended April 30, 2013, compared with the three and nine months ended April 30, 2012, and stockholders' equity from July 31, 2012 to April 30, 2013.

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Interest Rate Market Risk

We have United States credit facilities 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.

In order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly $2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%. Therefore, we are substantially protected from exposure associated with increasing LIBOR rates in future years.

Market Risk Sensitive Transactions

Additional information related to market risk sensitive transactions is contained in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our 2012 Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified by the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

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 of the end of the period covered by this report on Form 10-Q. 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 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 Chief Financial Officer, as appropriate to allow timely decisions regarding disclosure.

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 November 1, 2012 we acquired the SPS Business, as more fully described in Note 3 to the Condensed Consolidated Financial Statements. During the initial transition period following the acquisition, we enhanced our internal control process at our Crosstex subsidiary to ensure that all financial information related to this acquisition was properly reflected in our Condensed

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Consolidated Financial Statements. We expect that all aspects of the SPS Business will be fully integrated into Crosstex' existing internal control structure by October 2013.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A to our 2012 Form 10-K. The risk factors disclosed in Part I, Item 1A to our 2012 Form 10-K, in addition to the other information set forth in this report, could materially affect our business, financial condition, or results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table represents information with respect to purchases of common stock made by the Company during the current quarter:

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
February	–	$ –	–	–
March	778	29.68	–	–
April	921	29.75	–	–
Total	1,699	$ 29.72	–	–

The Company does not currently have a repurchase program. All of the shares purchased during the current quarter represent shares surrendered to the Company relating to cashless exercises of stock options and to pay employee withholding taxes due upon the vesting of restricted stock or the exercise of stock options.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

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ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

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.

101.INS - XBRL Instance Document

101.SCH - XBRL Extension Schema Document

101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF - XBRL Taxonomy Definition Linkbase Document

101.LAB - XBRL Taxonomy Extension Label Linkbase Document

101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

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

CANTEL MEDICAL CORP.

Date: June 10, 2013

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)

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By: /s/ Steven C. Anaya

Steven C. Anaya,
Vice President and Controller

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EXHIBIT 31.1

CERTIFICATIONS

I, Andrew A. Krakauer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of 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.

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Date: June 10, 2013

By: /s/ Andrew A. Krakauer

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

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EXHIBIT 31.2

CERTIFICATIONS

I, Craig A. Sheldon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal 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 officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant' s auditors and the audit committee of 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.

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Date: June 10, 2013

By: /s/ Craig A. Sheldon

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

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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 Quarterly Report of the Company on Form 10-Q for the quarter ended April 30, 2013 as filed with the Securities and Exchange Commission (the "Form 10-Q") that, to the best of their knowledge:

1. The Form 10-Q 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company, as of the date and for the period referred to in this report.

Date: June 10, 2013

/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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Income Taxes	9 Months Ended Apr. 30, 2013
Income Taxes	
Income Taxes	

Note 11. <u>Income Taxes</u>

The consolidated effective tax rate was 35.4% and 36.7% for the nine months ended April 30, 2013 and 2012, respectively. The decrease in the consolidated effective tax rate was principally due to the finalization of tax examinations in March 2013, Federal tax legislation enacted in January 2013 and the prior year unfavorable impact of recording a loss relating to the impairment of an investment, partially offset by a lower level of deductions in the current year as a percentage of pre-tax income, as described below.

For the nine months ended April 30, 2013 and 2012, approximately 96% and 97%, respectively, of our income before income taxes was generated from our United States operations, which had an overall effective tax rate of 36.4% and 37.5%, respectively. The lower overall effective tax rate for the nine months ended April 30, 2013 was principally caused by (i) Federal tax legislation that had expired in December 2011, but was re-enacted retroactively in January 2013 that enabled us to claim the research and experimentation tax credit for calendar 2012, (ii) the simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands that resulted in a favorable tax adjustment in the United States and (iii) not recording a tax benefit in the prior year on a loss relating to the impairment of an investment as a result of the uncertainty of utilizing a capital loss tax benefit in the future. Partially offsetting these factors was a lower overall level of tax credits and deductions as a percentage of pre-tax income as the underlying basis for the various credits and deductions did not increase as much as the increase in pre-tax income.

For the nine months ended April 30, 2013 and 2012, approximately 4% and 3%, respectively, of our income before income taxes was generated from our operations in Canada, Singapore and the Netherlands. Collectively, these operations had an overall effective tax rate of 10.1% and 12.5% for the nine months ended April 30, 2013 and 2012, respectively. All three of these locations have lower statutory income tax rates compared to the United States. The lower effective tax rate for the nine months ended April 30, 2013 was the result of the recording of a tax benefit in our third quarter of fiscal 2013 due to removing a valuation allowance on our net operating loss carryforwards ("NOLs") in the Netherlands since we believe it is more likely than not that we will utilize the remaining NOLs in the near future as we now have certainty of the amount of remaining NOLs and the likely future pre-tax income in the Netherlands due to the simultaneous finalization in March 2013 of an IRS examination in the United States and a Dutch tax authority examination in the Netherlands. The effective tax rate for the nine months ended April 30, 2012 was favorably affected by the recognition of tax benefits upon resolution of income tax uncertainties.

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 Condensed 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. Any adjustments upon resolution of income tax uncertainties are recognized in our results of operations. 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. 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:

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	Unrecognized Tax Benefits
Unrecognized tax benefits on July 31, 2011	$ 191,000
Lapse of statute of limitations	(67,000)
Unrecognized tax benefits on July 31, 2012	124,000
Activity during the nine months ended April 30, 2013	—
Unrecognized tax benefits on April 30, 2013	$ 124,000

Generally, the Company is no longer subject to federal, state or foreign income tax examinations for fiscal years ended prior to July 31, 2005.

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 Condensed Consolidated Financial Statements. However, such amounts have been relatively insignificant due to the amount of our unrecognized tax benefits relating to uncertain tax positions.

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Operating Segments (Details 2) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Information as to operating segments				
Net sales	$ 105,009,000	$ 97,238,000	$ 311,053,000	$ 287,797,000
Operating Income:	14,223,000	13,774,000	47,058,000	37,715,000
General corporate expenses	(31,261,000)	(28,845,000)	(87,304,000)	(83,675,000)
Interest expense, net	(733,000)	(884,000)	(2,141,000)	(2,861,000)
Other expense				(605,000)
Income before income taxes	13,490,000	12,890,000	44,917,000	34,249,000
Operating Segments				
Information as to operating segments				
Operating Income:	17,177,000	16,543,000	56,294,000	45,804,000
Endoscopy				
Information as to operating segments				
Net sales	39,694,000	38,606,000	115,795,000	115,037,000
Operating Income:	7,241,000	7,847,000	24,386,000	22,081,000
Water Purification and Filtration				
Information as to operating segments				
Net sales	29,473,000	25,955,000	88,099,000	76,505,000
Operating Income:	2,846,000	2,818,000	10,243,000	8,380,000
Healthcare Disposables				
Information as to operating segments				
Net sales	22,674,000	19,336,000	66,968,000	56,668,000
Operating Income:	3,991,000	3,529,000	12,791,000	9,138,000
Dialysis				
Information as to operating segments				
Net sales	8,072,000	8,902,000	25,019,000	27,180,000
Operating Income:	1,990,000	2,217,000	6,478,000	6,578,000
All Other				
Information as to operating segments				
Net sales	5,096,000	4,439,000	15,172,000	12,407,000
Operating Income:	1,109,000	132,000	2,396,000	(373,000)
General corporate				
Information as to operating segments				
General corporate expenses	$ (2,954,000)	$ (2,769,000)	$ (9,236,000)	$ (8,089,000)

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CONDENSED CONSOLIDATED STATEMENTS OF INCOME (USD $) In Thousands, except Per Share data, unless otherwise specified	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
CONDENSED CONSOLIDATED STATEMENTS OF INCOME				
Net sales	$ 105,009	$ 97,238	$ 311,053	$ 287,797
Cost of sales	59,525	54,619	176,691	166,407
Gross profit	45,484	42,619	134,362	121,390
Expenses:				
Selling	15,096	14,240	42,232	40,433
General and administrative	13,766	12,388	38,196	36,582
Research and development	2,399	2,217	6,876	6,660
Total operating expenses	31,261	28,845	87,304	83,675
Income before interest, other expense and income taxes	14,223	13,774	47,058	37,715
Interest expense	749	897	2,186	2,928
Interest income	(16)	(13)	(45)	(67)
Other expense				605
Income before income taxes	13,490	12,890	44,917	34,249
Income taxes	4,492	4,716	15,891	12,561
Net income	$ 8,998	$ 8,174	$ 29,026	$ 21,688
Earnings per common share:				
Basic (in dollars per share)	$ 0.33	$ 0.30	$ 1.07	$ 0.81
Diluted (in dollars per share)	$ 0.33	$ 0.30	$ 1.06	$ 0.80
Dividends per common share (in dollars per share)			$ 0.06	$ 0.05

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Recent Accounting Pronouncements	9 Months Ended Apr. 30, 2013
Recent Accounting Pronouncements	
Recent Accounting Pronouncements	**Note 4. Recent Accounting Pronouncements** In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2013-02, *"Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,"* ("ASU 2013-02"), which requires presentation of reclassification adjustments from each component of accumulated other comprehensive income either in a single note or parenthetically on the face of the financial statements, for those amounts required to be reclassified into net income in their entirety in the same reporting period. For amounts not required to be reclassified in their entity in the same reporting period, cross-reference to other disclosures is required. ASU 2013-02 is effective prospectively for reporting periods beginning after December 15, 2012. Accordingly, we adopted ASU 2013-02 in our fiscal 2013 third quarter ended April 30, 2013 as shown in Note 13. The adoption of this disclosure guidance did not have any impact upon our financial position and results of operations. In June 2011, the FASB issued ASU 2011-05, *"Comprehensive Income (Topic 220): Presentation of Comprehensive Income,"* ("ASU 2011-05"), which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. ASU 2011-05 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Accordingly, we adopted ASU 2011-05 in our fiscal 2013 first quarter ended October 31, 2012 by including the Condensed Statements of Comprehensive Income as an addition to our Condensed Consolidated Financial Statements. The adoption of this disclosure guidance did not have any impact upon our financial position and results of operations.

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Fair Value Measurements (Tables)	9 Months Ended Apr. 30, 2013

Fair Value Measurements

Schedule of fair values of financial instruments measured on a recurring basis

	April 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money markets	$4,258,000	$ —	$ —	$4,258,000
Total assets	$4,258,000	$ —	$ —	$4,258,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ —	$ —	$ —	$ —
Price floor	—	—	255,000	255,000
Total acquisition payable	—	—	255,000	255,000
Other liabilities:				
Interest rate swap agreements	—	240,000	—	240,000
Total other liabilities (1)	—	240,000	—	240,000
Total liabilities	$ —	$240,000	$255,000	$ 495,000

	July 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money markets	$3,916,000	$ —	$ —	$3,916,000
Total assets	$3,916,000	$ —	$ —	$3,916,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ —	$ —	$1,500,000	$1,500,000
Price floor	—	—	1,037,000	1,037,000
Total acquisition payable	—	—	2,537,000	2,537,000
Other liabilities:				
Interest rate swap agreements	—	335,000	—	335,000
Total other liabilities (1)	—	335,000	—	335,000
Total liabilities	$ —	$335,000	$2,537,000	$2,872,000

(1) At April 30, 2013 and July 31, 2012, the current portions of the interest swap agreements of $174,000 and $212,000, respectively, are recorded in accrued expenses and the long-term portions of the interest swap agreements of $66,000 and $123,000, respectively, are recorded in other long-term liabilities.

Schedule of reconciliation of the contingent consideration liability measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3)

	ConFirm Contingent Consideration	Byrne Contingent Consideration	Byrne Price Floor	Total
Balance, July 31, 2011	$ 775,000	$ —	$ —	775,000
Total net unrealized (gains)/ losses included in general	(86,000)	100,000	(582,000)	(568,000)

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and administrative expense in earnings				
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	2,700,000	3,000,000	5,700,000
Balance, October 31, 2011	689,000	2,800,000	2,418,000	5,907,000
Total net unrealized (gains)/ losses included in general and administrative expense in earnings	166,000	100,000	(623,000)	(357,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, January 31, 2012	855,000	2,900,000	1,795,000	5,550,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(395,000)	(395,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	(855,000)	—	—	(855,000)
Balance, April 30, 2012	—	2,900,000	1,400,000	4,300,000
Total net unrealized gains included in general and administrative expense in earnings	—	(1,400,000)	(363,000)	(1,763,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, July 31, 2012	—	1,500,000	1,037,000	2,537,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(313,000)	(313,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, October 31, 2012	—	1,500,000	724,000	2,224,000
Total net unrealized gains included in general and administrative expense in earnings	—	(1,500,000)	(410,000)	(1,910,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, January 31, 2013	—	—	314,000	314,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(59,000)	(59,000)
Transfers into or out of level 3	—	—	—	—

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Net purchases, issuances, sales and settlements	—	—	—	—
Balance, April 30, 2013	$ —	$ —	$ 255,000	$ 255,000

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Commitments and Contingencies

9 Months Ended Apr. 30, 2013

[Commitments and Contingencies]
[Commitments and Contingencies]

Note 12. **Commitments and Contingencies**

Long-term contractual obligations

As of April 30, 2013, aggregate annual required payments over the remaining fiscal year, the next four years and thereafter under our contractual obligations that have long-term components were as follows:

	Three Months Ending July 31, 2013	Year Ending July 31, 2014	2015	2016	2017	Thereafter	Total
	(Amounts in thousands)						
Maturities of the credit facilities	$ 2,500	$10,000	$10,000	$10,000	$72,500	$ —	$105,000
Expected interest payments under the credit facilities (1)	626	2,353	2,112	1,871	5	—	6,967
Minimum commitments under noncancelable operating leases	923	3,586	2,776	1,868	1,260	4,756	15,169
Acquisition payable	—	—	255	—	—	—	255
Compensation agreements	1,092	3,786	1,496	350	75	—	6,799
Deferred compensation and other	15	54	55	43	42	63	272
Total contractual obligations	$ 5,156	$19,779	$16,694	$14,132	$73,882	$ 4,819	$134,462

(1) The expected interest payments under both the term and revolving credit facilities reflect interest rates of 2.41% and 2.40%, which were our weighted average interest rates on outstanding borrowings at April 30, 2013 and reflects the impact of our interest rate swap agreements.

Operating leases

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

Acquisition payable

In connection with the Byrne Acquisition, we agreed that if the aggregate value of the $10,000,000 of Cantel common stock issued as part of the consideration used to acquire the Byrne Medical Business is less than $10,000,000 on July 31, 2014, we will pay to BMI in cash or stock (at our option) an amount equal to the difference between $10,000,000 and the then value of the shares (based on the closing price of Cantel common stock on the NYSE on July 31, 2014), subject to certain conditions and limitations. Accordingly, at April 30, 2013, we have estimated $255,000 as the fair value of this payable, as more fully described in Notes 3 and 6 to the Condensed Consolidated Financial Statements.

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Compensation agreements

We have previously entered into various severance contracts with executives of the Company, including our Corporate executive officers and our subsidiary Chief Executive Officers, which define certain compensation arrangements relating to various employment termination scenarios. In conjunction with the acquisitions of the Byrne Medical Business on August 1, 2011, the SPS Business on November 1, 2012 and the Eagle Pure Water Business on December 31, 2012, we entered into three-year employment agreements with certain executive officers of the acquired businesses.

Deferred compensation and other

Deferred compensation and other includes deferred compensation arrangements for certain former Medivators directors and officers and is recorded in other long-term liabilities. Additionally, deferred compensation and other includes an insurance related claim and minimum commitments under noncancelable capital leases.

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Commitments and Contingencies (Details) (USD $) In Thousands, unless otherwise specified	Apr. 30, 2013
Long-term contractual obligations	
Remaining fiscal year	$ 5,156
2014	19,779
2015	16,694
2016	14,132
2017	73,882
Thereafter	4,819
Total	134,462
Term Loan Facility | Weighted average	
Long-term contractual obligations	
Interest rate (as a percent)	2.41%
Revolving Credit Facility | Weighted average	
Long-term contractual obligations	
Interest rate (as a percent)	2.40%
Maturities of the credit facilities	
Long-term contractual obligations	
Remaining fiscal year	2,500
2014	10,000
2015	10,000
2016	10,000
2017	72,500
Total	105,000
Expected interest payments under the credit facilities	
Long-term contractual obligations	
Remaining fiscal year	626
2014	2,353
2015	2,112
2016	1,871
2017	5
Total	6,967
Minimum commitments under noncancelable operating leases	
Long-term contractual obligations	
Remaining fiscal year	923
2014	3,586
2015	2,776
2016	1,868
2017	1,260
Thereafter	4,756
Total	15,169

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Acquisitions payable	
Long-term contractual obligations	
2015	255
Total	255
Compensation agreements	
Long-term contractual obligations	
Remaining fiscal year	1,092
2014	3,786
2015	1,496
2016	350
2017	75
Total	6,799
Deferred compensation and other	
Long-term contractual obligations	
Remaining fiscal year	15
2014	54
2015	55
2016	43
2017	42
Thereafter	63
Total	$ 272

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Fair Value Measurements (Details 2) (USD $)	3 Months Ended						
	Apr. 30, 2013	Jan. 31, 2013	Oct. 31, 2012	Jul. 31, 2012	Apr. 30, 2012	Jan. 31, 2012	Oct. 31, 2011
Reconciliation of liability measured and recorded at fair value on a recurring basis using Level 3							
Beginning balance	$ 314,000	$ 2,224,000	$ 2,537,000	$ 4,300,000	$ 5,550,000	$ 5,907,000	$ 775,000
Total net unrealized (gains)/losses included in general and administrative expenses in earnings	(59,000)	(1,910,000)	(313,000)	(1,763,000)	(395,000)	(357,000)	(568,000)
Net purchases, issuances, sales and settlements					(855,000)		5,700,000
Ending balance	255,000	314,000	2,224,000	2,537,000	4,300,000	5,550,000	5,907,000
Byrne Medical Business | Three-year price floor							
Reconciliation of liability measured and recorded at fair value on a recurring basis using Level 3							
Beginning balance	314,000	724,000	1,037,000	1,400,000	1,795,000	2,418,000	
Total net unrealized (gains)/losses included in general and administrative expenses in earnings	(59,000)	(410,000)	(313,000)	(363,000)	(395,000)	(623,000)	(582,000)
Net purchases, issuances, sales and settlements							3,000,000
Ending balance	255,000	314,000	724,000	1,037,000	1,400,000	1,795,000	2,418,000
Contingent consideration liability | ConFirm Monitoring Business							
Reconciliation of liability measured and recorded at fair value on a recurring basis using Level 3							
Beginning balance					855,000	689,000	775,000
Total net unrealized (gains)/losses included in general and administrative expenses in earnings						166,000	(86,000)
Net purchases, issuances, sales and settlements					(855,000)		
Ending balance						855,000	689,000
Contingent consideration liability | Byrne Medical Business							
Reconciliation of liability measured and recorded at fair value on a recurring basis using Level 3							
Beginning balance		1,500,000		2,900,000		2,800,000	

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Total net unrealized (gains)/losses included in general and administrative expenses in earnings	(1,500,000)	(1,400,000)	100,000	100,000
Net purchases, issuances, sales and settlements				2,700,000
Ending balance		$ 1,500,000	$ 2,900,000	$ 2,800,000

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Earnings Per Common Share (Tables)	9 Months Ended Apr. 30, 2013

Earnings Per Common Share

Schedule of computation of basic and diluted EPS available to shareholders of common stock (excluding participating securities)

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Numerator for basic and diluted earnings per share:				
Net income	$8,998,000	$8,174,000	$29,026,000	$21,688,000
Less income allocated to participating securities	(137,000)	(145,000)	(454,000)	(415,000)
Net income available to common stockholders	$8,861,000	$8,029,000	$28,572,000	$21,273,000
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	26,910,626	26,510,240	26,801,127	26,332,676
Dilutive effect of stock options using the treasury stock method and the average market price for the period	172,479	289,943	210,461	302,994
Denominator for diluted earnings per share - weighted average number of shares and	27,083,105	26,800,183	27,011,588	26,635,670

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common stock equivalents attributable to common stock				
Earnings per share attributable to common stock:				
Basic earnings per share	$ 0.33	$ 0.30	$ 1.07	$ 0.81
Diluted earnings per share	$ 0.33	$ 0.30	$ 1.06	$ 0.80
Stock options excluded from weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	—	—	—	—

Schedule of reconciliation of weighted average number of shares and common stock equivalents attributable to common stock to the Company's total weighted average number of shares and common stock equivalents including participating securities

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Participating securities	417,610	482,218	430,736	512,599
Total weighted average number of shares and common stock equivalents attributable to both common stock and participating securities	27,500,715	27,282,401	27,442,324	27,148,269

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Warranties (Tables)

Warranties

Summary of activity in warranty reserves

9 Months Ended Apr. 30, 2013

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Beginning balance	$ 1,232,000	$ 2,081,000	$ 1,667,000	$ 2,083,000
Provisions	479,000	748,000	1,182,000	2,528,000
Settlements	(634,000)	(881,000)	(1,772,000)	(2,661,000)
Foreign currency translation	—	1,000	—	(1,000)
Ending balance	$ 1,077,000	$ 1,949,000	$ 1,077,000	$ 1,949,000

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Income Taxes (Details)	9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012
Income Taxes		
Consolidated effective tax rate (as a percent)	35.40%	36.70%
United States		
Income Taxes		
Consolidated effective tax rate (as a percent)	36.40%	37.50%
Percentage of income before income taxes	96.00%	97.00%
Canada, Singapore and Netherlands		
Income Taxes		
Consolidated effective tax rate (as a percent)	10.10%	12.50%
Percentage of income before income taxes	4.00%	3.00%
Number of locations with lower statutory income tax rates compared to the United States	3	3

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Stock-Based Compensation (Details 2) (USD $)	3 Months Ended	6 Months Ended	9 Months Ended			3 Months Ended		9 Months Ended		
	Jul. 31, 2012	Jan. 31, 2013	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013 Restricted shares	Apr. 30, 2013 Stock options	Apr. 30, 2012 Stock options	Apr. 30, 2013 Stock options	Apr. 30, 2012 Stock options	Jul. 31, 2012 Stock options
Stock-Based Compensation										
Total unrecognized stock-based compensation expense, before income taxes, related to total nonvested stock options and stock awards			$ 5,371,000							
Remaining weighted average period over which unrecognized stock-based compensation expense is expected to be recognized			19 months							
Number of Shares										
Nonvested stock awards at the beginning of the period (in shares)					472,005					
Granted (in shares)					132,692					
Cancelled (in shares)					(8,830)					
Vested (in shares)					(181,435)					
Nonvested stock awards at the end of the period (in shares)					414,432					
Weighted Average Fair Value										
Nonvested stock awards at the beginning of the period (in dollars per share)					$ 13.73					
Granted (in dollars per share)					$ 25.60					
Cancelled (in dollars per share)					$ 17.23					
Vested (in dollars per share)					$ 13.06					
Nonvested stock awards at the end of the period (in dollars per share)					$ 17.75					
Weighted-Average Black-Scholes Option Valuation Assumptions										
Dividend yield (as a percent)								0.37%		
Expected volatility (as a percent)								0.509%		
Risk-free interest rate (as a percent)								0.67%		
Expected lives								5 years		
Stock options, additional disclosure										

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Weighted average fair value of all options granted (in dollars per share)			$ 10.91						
Aggregate intrinsic value of all options exercised (in dollars)					537,000	1,566,000	4,025,000	3,413,000	
Number of Shares									
Outstanding at the beginning of the period (in shares)							548,823		
Options granted (in shares)						0	35,000	0	
Canceled (in shares)							(6,000)		
Exercised (in shares)							(209,266)		
Outstanding at the end of the period (in shares)					368,557		368,557		
Exercisable at the end of the period (in shares)					333,557		333,557		364,110
Weighted Average Exercise Price									
Outstanding at the beginning of the period (in dollars per share)							$ 9.86		
Granted (in dollars per share)							$ 25.56		
Canceled (in dollars per share)							$ 12.61		
Exercised (in dollars per share)							$ 9.80		
Outstanding at the end of the period (in dollars per share)					$ 11.34		$ 11.34		
Exercisable at the end of the period (in dollars per share)					$ 9.85		$ 9.85		$ 9.43
Options vested or expected to vest									
Reissued shares from treasury stock for exercise of stock options and grant of stock awards (in shares)	107,269	316,177							
Reduction in income tax payable due to exercise of options and vesting of restricted stock			3,073,000	2,435,000					
Increase in additional paid-in capital due to excess tax benefit on stock-based compensation expense			$ 1,986,000	$ 1,315,000					

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Intangible Assets and Goodwill (Details) (USD $)	3 Months Ended		9 Months Ended		
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012	Jul. 31, 2012
Intangible assets with finite lives:					
Amortization expense	$ 2,598,000	$ 2,279,000	$ 7,438,000	$ 6,846,000	
Gross	107,575,000		107,575,000		97,532,000
Accumulated Amortization	(42,837,000)		(42,837,000)		(35,656,000)
Net	64,738,000		64,738,000		61,876,000
Intangible assets with indefinite lives:					
Trademarks and trade names	9,427,000		9,427,000		9,435,000
Total intangible assets					
Gross	117,002,000		117,002,000		106,967,000
Accumulated Amortization	(42,837,000)		(42,837,000)		(35,656,000)
Net	74,165,000		74,165,000		71,311,000
Estimated annual amortization expense of intangible assets for next five years					
Remainder of fiscal year	2,597,000		2,597,000		
Fiscal 2014	10,099,000		10,099,000		
Fiscal 2015	9,840,000		9,840,000		
Fiscal 2016	6,600,000		6,600,000		
Fiscal 2017	6,024,000		6,024,000		
Fiscal 2018	5,747,000		5,747,000		
Low end of range					
Intangible assets with finite lives:					
Estimated useful lives			2 years		
High end of range					
Intangible assets with finite lives:					
Estimated useful lives			20 years		
Weighted average					
Intangible assets with finite lives:					
Estimated useful lives			11 years		
Customer relationships					
Intangible assets with finite lives:					
Gross	68,754,000		68,754,000		60,271,000
Accumulated Amortization	(24,748,000)		(24,748,000)		(20,421,000)
Net	44,006,000		44,006,000		39,850,000
Total intangible assets					
Accumulated Amortization	(24,748,000)		(24,748,000)		(20,421,000)
Technology					
Intangible assets with finite lives:					
Gross	21,054,000		21,054,000		20,797,000
Accumulated Amortization	(9,094,000)		(9,094,000)		(7,590,000)
Net	11,960,000		11,960,000		13,207,000

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Total intangible assets			
Accumulated Amortization	(9,094,000)	(9,094,000)	(7,590,000)
Brand names			
Intangible assets with finite lives:			
Gross	12,758,000	12,758,000	11,945,000
Accumulated Amortization	(7,777,000)	(7,777,000)	(6,778,000)
Net	4,981,000	4,981,000	5,167,000
Total intangible assets			
Accumulated Amortization	(7,777,000)	(7,777,000)	(6,778,000)
Non-compete agreement			
Intangible assets with finite lives:			
Gross	3,359,000	3,359,000	3,147,000
Accumulated Amortization	(655,000)	(655,000)	(404,000)
Net	2,704,000	2,704,000	2,743,000
Total intangible assets			
Accumulated Amortization	(655,000)	(655,000)	(404,000)
Patents and other registrations			
Intangible assets with finite lives:			
Gross	1,650,000	1,650,000	1,372,000
Accumulated Amortization	(563,000)	(563,000)	(463,000)
Net	1,087,000	1,087,000	909,000
Total intangible assets			
Accumulated Amortization	$ (563,000)	$ (563,000)	$ (463,000)

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Commitments and Contingencies (Details 2) (Byrne Medical Business, Medivators subsidiary, USD $)	Apr. 30, 2013	Aug. 02, 2011
Byrne Medical Business | Medivators subsidiary		
Acquisitions payable		
Value of common stock issued as a part of purchase price consideration		$ 10,000,000
Aggregate value of the stock consideration threshold		10,000,000
Revised estimated fair value of payable	$ 255,000	

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Operating Segments (Tables)	**9 Months Ended Apr. 30, 2013**

Operating Segments

Information as to operating segments

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Net sales:				
Endoscopy	$ 39,694,000	$ 38,606,000	$ 115,795,000	$ 115,037,000
Water Purification and Filtration	29,473,000	25,955,000	88,099,000	76,505,000
Healthcare Disposables	22,674,000	19,336,000	66,968,000	56,668,000
Dialysis	8,072,000	8,902,000	25,019,000	27,180,000
All Other	5,096,000	4,439,000	15,172,000	12,407,000
Total	$ 105,009,000	$ 97,238,000	$ 311,053,000	$ 287,797,000
Operating income:				
Endoscopy	$ 7,241,000	$ 7,847,000	$ 24,386,000	$ 22,081,000
Water Purification and Filtration	2,846,000	2,818,000	10,243,000	8,380,000
Healthcare Disposables	3,991,000	3,529,000	12,791,000	9,138,000
Dialysis	1,990,000	2,217,000	6,478,000	6,578,000
All Other	1,109,000	132,000	2,396,000	(373,000)
	17,177,000	16,543,000	56,294,000	45,804,000
General corporate expenses	(2,954,000)	(2,769,000)	(9,236,000)	(8,089,000)
Interest expense, net	(733,000)	(884,000)	(2,141,000)	(2,861,000)
Other expense	—	—	—	(605,000)
Income before income taxes	$ 13,490,000	$ 12,890,000	$ 44,917,000	$ 34,249,000

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Financing Arrangements (Details) (USD $)	1 Months Ended	9 Months Ended						9 Months Ended								9 Months Ended			0 Months Ended	1 Months Ended			9 Months Ended		9 Months Ended			0 Months Ended	9 Months Ended			9 Months Ended
	Feb. 29, 2012 item	Apr. 30, 2013	Apr. 30, 2013 Minimum	Apr. 30, 2013 Maximum	Apr. 30, 2013 Lender's base rate	Apr. 30, 2013 LIBOR Minimum	Apr. 30, 2013 LIBOR Maximum	Apr. 30, 2013 New U.S. Credit Agreement	May 31, 2013 New U.S. Credit Agreement	Aug. 02, 2011 New U.S. Credit Agreement	Apr. 30, 2013 New U.S. Credit Agreement Minimum	Apr. 30, 2013 New U.S. Credit Agreement Maximum	Apr. 30, 2013 New U.S. Credit Agreement Lender's base rate	Apr. 30, 2013 New U.S. Credit Agreement Lender's base rate Minimum	Apr. 30, 2013 New U.S. Credit Agreement Lender's base rate Maximum	Apr. 30, 2013 New U.S. Credit Agreement LIBOR	Apr. 30, 2013 New U.S. Credit Agreement LIBOR Minimum	Apr. 30, 2013 New U.S. Credit Agreement LIBOR Maximum	May 31, 2013 Revolving Credit Facility	Aug. 31, 2011 Revolving Credit Facility	Apr. 30, 2013 Revolving Credit Facility	Aug. 02, 2011 Revolving Credit Facility	Apr. 30, 2013 Revolving Credit Facility Interest rate swap with fixed interest cash flows	Aug. 08, 2012 Revolving Credit Facility Interest rate swap with fixed interest cash flows	Apr. 30, 2013 Revolving Credit Facility One month LIBOR Interest rate swap with fixed interest cash flows	Aug. 02, 2011 Letters of credit	Aug. 02, 2011 Swing line loans	Aug. 02, 2011 Term Loan Facility	Apr. 30, 2013 Term Loan Facility item	Apr. 30, 2013 Term Loan Facility Interest rate swap with fixed interest cash flows	Aug. 08, 2012 Term Loan Facility Interest rate swap with fixed interest cash flows	Apr. 30, 2013 Term Loan Facility One month LIBOR Interest rate swap with fixed interest cash flows
Financing Arrangements																																
Maximum borrowing capacity										$ 150,000,000												$ 100,000,000				$ 20,000,000	$ 5,000,000					
Borrowings																												50,000,000				
Term of line of credit facility																				5 years												
Maximum additional borrowing capacity available at the entity's option																				50,000,000												
Unamortized debt issuance costs		839,000																														
Margin on reference rate (as a percent)													0.75%	0.25%	2.00%	1.75%	1.25%	3.00%														
Reference rate, description			One month LIBOR	Twelve month LIBOR									lender's base rate			LIBOR									one month LIBOR							one month LIBOR
Reference rate (as a percent)					3.25%	0.20%	0.87%																		0.496%							0.664%
Fees on unused portion of credit facilities (as a percent)								0.30%			0.25%	0.50%																				
Number of existing senior lenders of debt, whose variable interest cash flows will be exchanged by the entity with fixed interest cash flows	1																															
Borrowing initially hedged																								25,000,000							40,000,000	
Quarterly reduction in borrowings hedged																														2,500,000		
Semi-annual reduction in borrowings hedged																							5,000,000									
Number of quarterly principal installments																													20			
Quarterly principal installments																													2,500,000			
Mandatory prepayments of amounts outstanding as a percentage of net proceeds received from certain sales or other dispositions of all or any part of the entity and its subsidiaries' assets								100.00%																								
Mandatory prepayments of amounts outstanding as a percentage of certain insurance and condemnation proceeds received by the entity or any of its subsidiaries								100.00%																								
Mandatory prepayments of amounts outstanding as a percentage of net cash proceeds received from issuance or occurrence of any indebtedness of the entity or any of its subsidiaries								100.00%																								
Mandatory prepayments of amounts outstanding as a percentage of net proceeds from sale of certain equity								100.00%																								
Shares of foreign subsidiaries pledged as security (as a percent)								65.00%																								
Outstanding borrowings								105,000,000	100,000,000												72,500,000								32,500,000			
Available borrowing capacity																					27,500,000											
Repayment of borrowings																			$ 5,000,000													

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Intangible Assets and Goodwill (Tables)	9 Months Ended Apr. 30, 2013

Intangible Assets and Goodwill

Schedule of intangible assets

	April 30, 2013		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 68,754,000	$(24,748,000)	$44,006,000
Technology	21,054,000	(9,094,000)	11,960,000
Brand names	12,758,000	(7,777,000)	4,981,000
Non-compete agreements	3,359,000	(655,000)	2,704,000
Patents and other registrations	1,650,000	(563,000)	1,087,000
	107,575,000	(42,837,000)	64,738,000
Trademarks and trade names	9,427,000	—	9,427,000
Total intangible assets	$117,002,000	$(42,837,000)	$74,165,000

	July 31, 2012		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 60,271,000	$(20,421,000)	$39,850,000
Technology	20,797,000	(7,590,000)	13,207,000
Brand names	11,945,000	(6,778,000)	5,167,000
Non-compete agreements	3,147,000	(404,000)	2,743,000
Patents and other registrations	1,372,000	(463,000)	909,000
	97,532,000	(35,656,000)	61,876,000
Trademarks and trade names	9,435,000	—	9,435,000
Total intangible assets	$106,967,000	$(35,656,000)	$71,311,000

Schedule of estimated annual amortization expense of intangible assets for the next five years

Three month period ending July 31, 2013	$ 2,597,000
Fiscal 2014	10,099,000
Fiscal 2015	9,840,000
Fiscal 2016	6,600,000
Fiscal 2017	6,024,000
Fiscal 2018	5,747,000

Schedule of changes in goodwill

	Endoscopy	Water Purification and Filtration	Healthcare Disposables	Dialysis	All Other	Total Goodwill
Balance, July 31, 2011	$ 9,648,000	$52,074,000	$55,864,000	$8,133,000	$9,051,000	$134,770,000
Acquisitions	49,582,000	—	—	—	—	49,582,000

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Foreign currency translation	—	(309,000)	—	—	(388,000)	(697,000)
Balance, July 31, 2012	59,230,000	51,765,000	55,864,000	8,133,000	8,663,000	183,655,000
Acquisitions	—	597,000	23,977,000	—	—	24,574,000
Foreign currency translation	—	(24,000)	—	—	(29,000)	(53,000)
Balance, April 30, 2013	$59,230,000	$52,338,000	$79,841,000	$8,133,000	$8,634,000	$208,176,000

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (USD $) In Thousands, unless otherwise specified	9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012
Cash flows from operating activities		
Net income	$ 29,026	$ 21,688
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,380	5,129
Amortization	7,438	6,846
Stock-based compensation expense	2,806	3,019
Amortization of debt issuance costs	262	282
Loss on disposal of fixed assets	124	94
Impairment of convertible notes receivable		605
Deferred income taxes	(1,890)	(1,187)
Excess tax benefits from stock-based compensation	(1,986)	(1,315)
Changes in assets and liabilities, net of assets acquired and liabilities assumed:		
Accounts receivable	(2,136)	4,012
Inventories	(4,313)	(2,958)
Prepaid expenses and other current assets	(1,449)	(884)
Accounts payable and other current liabilities	(3,848)	(3,691)
Income taxes receivable	5,077	1,213
Net cash provided by operating activities	34,491	32,853
Cash flows from investing activities		
Capital expenditures	(4,034)	(3,860)
Proceeds from disposal of fixed assets	32	
Acquisition of Gambro Water		(1,550)
Acquisition of Confirm		(855)
Acquisition of the Byrne Medical Business		(95,261)
Acquisition of SPS Business, net of cash acquired	(35,415)	
Acquisition of Polyp Trap	(486)	
Acquisition of Eagle Pure Water	(870)	
Acquisition of Siemens Water	(8,300)	
Other, net	(135)	(198)
Net cash used in investing activities	(49,208)	(101,724)
Cash flows from financing activities		
Borrowings under term loan facility, net of debt issuance costs		49,647
Borrowings under revolving credit facility, net of debt issuance costs	45,000	46,941
Repayments under term loan facility	(7,500)	(7,500)
Repayments under revolving credit facility	(22,500)	(14,000)
Proceeds from exercises of stock options	1,573	1,951
Dividends paid	(1,494)	(1,258)

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Excess tax benefits from stock-based compensation	1,986	1,315
Purchases of treasury stock	(1,899)	(1,502)
Net cash provided by financing activities	15,166	75,594
Effect of exchange rate changes on cash and cash equivalents	34	(106)
Increase in cash and cash equivalents	483	6,617
Cash and cash equivalents at beginning of period	30,186	18,410
Cash and cash equivalents at end of period	$ 30,669	$ 25,027

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Stock-Based Compensation

9 Months Ended Apr. 30, 2013

Stock-Based Compensation

Stock-Based Compensation

Note 2. Stock-Based Compensation

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Cost of sales	$ 41,000	$ 51,000	$ 133,000	$ 141,000
Operating expenses:				
Selling	69,000	109,000	250,000	300,000
General and administrative	802,000	533,000	2,396,000	2,545,000
Research and development	7,000	13,000	27,000	33,000
Total operating expenses	878,000	655,000	2,673,000	2,878,000
Stock-based compensation before income taxes	919,000	706,000	2,806,000	3,019,000
Income tax benefits	(332,000)	(247,000)	(1,008,000)	(1,073,000)
Total stock-based compensation expense, net of tax	$587,000	$459,000	$1,798,000	$1,946,000
Decrease in earnings per common share due to stock-based compensation:				
Basic	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Diluted	$ 0.02	$ 0.02	$ 0.07	$ 0.07

The above stock-based compensation expense before income taxes was recorded in the Condensed Consolidated Financial Statements as stock-based compensation expense and an increase to additional paid-in capital. The related income tax benefits 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. All of our stock options and stock awards (which consist only of restricted shares) are expected to be deductible for tax purposes and were tax-effected using the Company's estimated U.S. effective tax rate at the time of grant, except for certain options and restricted shares granted to employees residing outside of the United States.

All of our stock options and stock awards 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 April 30, 2013, total unrecognized stock-based compensation expense, before income taxes, related to total nonvested stock options and stock awards was $5,371,000 with a remaining weighted average period of 19 months over which such expense is expected to be recognized. The majority of our nonvested awards relate to stock awards.

We determine the fair value of each stock award using the closing market price of our common stock on the date of grant.

A summary of nonvested stock award activity follows:

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	Number of Shares	Weighted Average Fair Value
Nonvested stock awards at July 31, 2012	472,005	$ 13.73
Granted	132,692	25.60
Canceled	(8,830)	17.23
Vested	(181,435)	13.06
Nonvested stock awards at April 30, 2013	414,432	$ 17.75

For the nine months ended April 30, 2013, 35,000 options were granted in October 2012. There were no option grants during the three and nine months ended April 30, 2012.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option valuation model with the following weighted average assumptions for options granted during the nine months ended April 30, 2013:

Weighted-Average Black-Scholes Option Valuation Assumptions	Nine Months Ended April 30, 2013
Dividend yield	0.37%
Expected volatility (1)	0.509
Risk-free interest rate (2)	0.67%
Expected lives (in years) (3)	5.00

(1) Volatility was based on historical closing prices of our common stock.
(2) The U.S. Treasury rate on the expected life at the date of grant.
(3) Based on historical exercise behavior.

These non-qualified options had a weighted average fair value of $10.91.

The aggregate intrinsic value (i.e., the excess market price over the exercise price) of all options exercised was $537,000 and $4,025,000 for the three and nine months ended April 30, 2013 and $1,566,000 and $3,413,000 for the three and nine months ended April 30, 2012, respectively.

A summary of stock option activity follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding at July 31, 2012	548,823	$ 9.86
Granted	35,000	25.56
Canceled	(6,000)	12.61
Exercised	(209,266)	9.80
Outstanding at April 30, 2013	368,557	$ 11.34
Exercisable at July 31, 2012	364,110	$ 9.43
Exercisable at April 30, 2013	333,557	$ 9.85

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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. However, during the first six months of the nine months ended April 30, 2013, we reissued 316,177 shares, (and 107,269 shares during the fourth quarter of fiscal 2012) from treasury stock for the exercise of stock options and grant of stock awards.

If certain criteria are met when options are exercised or restricted stock becomes vested, the Company is allowed a deduction on its United States income tax return. Accordingly, we account for the income tax effect on such income tax deductions as a reduction of previously recorded long-term deferred income tax assets (which are netted with long-term deferred income tax liabilities) and as a reduction of income taxes payable in the year of the deduction. 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 which was determined based upon the award’s fair value at the time the award was granted. The differences noted above between actual tax deductions and the previously recorded long-term deferred income tax assets are recorded as additional paid-in capital. For the nine months ended April 30, 2013 and 2012, income tax deductions of $3,073,000 and $2,435,000, respectively, were generated and increased additional paid-in capital by $1,986,000 and $1,315,000, respectively. We classify the cash flows resulting from excess tax benefits as financing cash flows in our Condensed Consolidated Statements of Cash Flows.

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Derivatives	9 Months Ended Apr. 30, 2013
Derivatives	
Derivatives	**Note 5. Derivatives**

We 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 April 30, 2013, all of our derivatives were designated as hedges. We do not hold any derivative financial instruments for speculative or trading purposes.

Changes in the value of (i) the Euro against the United States dollar, (ii) the Canadian dollar against the United States dollar, (iii) the Singapore dollar against the United States dollar and (iv) the British pound against the United States dollar affect our results of operations because certain cash bank accounts, accounts receivable, and liabilities of our subsidiaries are denominated and ultimately settled in Euros, Singapore dollars or British pounds, but must be converted into their functional currency. Furthermore, a portion of the net assets of our Canadian subsidiaries (which are reported in our Specialty Packaging and Water Purification and Filtration segments) are denominated and ultimately settled in United States dollars, but must be converted into its functional Canadian dollar currency.

In order to hedge against the impact of fluctuations in the value of (i) the Euro relative to the United States dollar, (ii) the Singapore dollar 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 Euros, Singapore dollars 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 $2,488,000 at April 30, 2013, which covered certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies. Such contracts expired on May 31, 2013. 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. For the three and nine months ended April 30, 2013, such forward contracts substantially offset the impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies resulting in a net currency conversion loss, net of tax, of $2,000 and $46,000, respectively, on the items hedged. For the three and nine months ended April 30, 2012, such forward contracts substantially offset the adverse impact on operations relating to certain assets and liabilities that were denominated in currencies other than our subsidiaries' functional currencies resulting in no gain or loss for the nine months ended April 30, 2012 and a small net currency conversion loss, net of tax, of $4,000 for the three months ended April 30, 2012. Gains and losses related to hedging contracts to buy Euros, Singapore dollars and British pounds forward are immediately realized within general and administrative expenses due to the short-term nature of such contracts. We do not currently hedge against the impact of fluctuations in the value of the Canadian dollar relative to the United States dollar because the currency impact on our Canadian and United States subsidiaries' assets closely offset the currency impact on our Canadian and United States subsidiaries' liabilities effectively minimizing realized gains and losses.

The interest rate on our outstanding borrowings under our credit facilities is variable and is affected by the general level of interest rates in the United States as well as LIBOR interest rates, as more fully described in Note 9 to the Condensed Consolidated Financial Statements. In order to protect our interest rate exposure in future years, we entered into forward starting interest

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rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly $2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%. These interest rate swap agreements have been designated as cash flow hedge instruments and have been designed to be effective in offsetting changes in the cash flows related to the hedged borrowings. As more fully described in Note 6 of the Condensed Consolidated Financial Statements, we account for the interest rate swap agreements by recording the fair value of the derivative instrument on the balance sheet as either an asset or liability, with a corresponding amount recorded in accumulated other comprehensive income. Amounts are reclassified from accumulated other comprehensive income to interest expense in the Condensed Consolidated Statements of Income in the period the hedged transaction affects earnings. At the hedge's inception and on a regular basis thereafter, a formal assessment is performed to determine whether changes in the fair value or cash flows of the derivative instruments have been highly effective in offsetting changes in cash flows of the hedged items and whether they are expected to be highly effective in the future. This formal assessment includes a comparison of the terms of the interest rate swap agreements and hedged borrowings to ensure they coincide as well as an evaluation of the continued ability of the counterparty to the interest rate swap agreements and the Company to honor their obligations under such agreements. At April 30, 2013, our formal assessment concluded that the changes in the fair value of the derivative instruments have been and are expected to be highly effective in the future for the interest rate swap periods that began on August 8, 2012.

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Acquisitions	9 Months Ended Apr. 30, 2013

Acquisitions

Acquisitions

Note 3. **Acquisitions**

Siemens' Hemodialysis Water Business

On March 22, 2013, Mar Cor and Siemens entered into asset purchase agreements under which Mar Cor is acquiring certain net assets of Siemens' hemodialysis water business primarily consisting of customer service agreements for over 600 dialysis customers in the United States and Canada. Such service agreements had contributed over $9 million in revenue to Siemens in calendar year 2012 (unaudited) and are being assigned from Siemens to Mar Cor over several months on an individual customer by customer basis to ensure a seamless transition. The total consideration for the transaction, excluding transaction costs of $226,000, was $8,300,000, which was paid on March 22, 2013 and recorded as a prepaid acquisition in our Condensed Consolidated Financials since the majority of the customer service agreements had not been transferred to Mar Cor as of April 30, 2013 and therefore control of the business has not been achieved. The acquisition date of the Siemens Water Business is expected to occur in July 2013, which is when we expect the majority of the customer service agreements to be transferred.

The principal reasons for the acquisition were as follows: (i) the opportunity to increase service revenue and profitability of the Mar Cor service network due to improved operating leverage, (ii) expanding Mar Cor's North American footprint in new geographies, (iii) the opportunity to sell capital equipment and recurring consumables to new customers and (iv) the expectation that the acquisition will be accretive to our earnings per share beyond fiscal 2013.

Because only a minimal amount of customer service agreements had been transitioned to Mar Cor as of April 30, 2013, the results of operations of the Siemens Water Business had an insignificant impact on our results of operations for the three and nine months ended April 30, 2013, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition. The Siemens Water Business is included in our Water Purification and Filtration segment.

Eagle Pure Water Systems, Inc.

On December 31, 2012, we purchased substantially all of the assets of Eagle Pure Water Systems, Inc., a private company with pre-acquisition annual revenues (unaudited) of approximately $500,000 based in the suburbs of Philadelphia, Pennsylvania that provides water treatment services for laboratory, industrial and medical customers. The total consideration for the transaction was $870,000.

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

	Preliminary Allocation
Net Assets	
Current assets:	$ 8,000
Property, plant and equipment	70,000
Amortizable intangible assets - (3- year weighted average life):	
Customer relationships (3- year life)	150,000
Brand names (3- year life)	18,000
Non-compete agreement (5- year life)	32,000
Current liabilities	(5,000)

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Net assets acquired	$ 273,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $597,000 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 reasons for the acquisition were the strengthening of our sales and service business by adding Eagle Pure Water's strategic Philadelphia market presence to enable us to better serve our national customers and to further expand our business into the laboratory and research segments. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

The acquisition of Eagle Pure Water is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

Polyp Trap

On November 13, 2012 we acquired the intellectual property, inventory, fixed assets and exclusive distribution rights of a polyp trap product line for $486,000. This product line is used principally in the performance of endoscopy procedures for the purpose of safely and efficiently collecting tissue biopsy material. The polyp trap product line will be included in our Medivators procedural product portfolio, which is part of the Endoscopy segment.

This acquisition is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition.

SPS Medical Supply Corp.

On November 1, 2012, our Crosstex subsidiary acquired all the issued and outstanding stock of SPS Medical Supply Corp., a private company based in Rochester, New York with pre-acquisition annual revenues (unaudited) of approximately $17,500,000 that manufactures and provides biological and chemical indicators for sterility assurance monitoring services in the acute-care, alternate-care and dental markets. The SPS Business offers a wide-array of products and services that enable healthcare facilities to safely and accurately monitor and verify their sterilization practices and protocols. Total consideration for the transaction, excluding transaction costs of $157,000, was $32,500,000. In addition, we acquired the SPS manufacturing and warehouse facility in Rochester, New York for approximately $3,500,000 from an affiliate of SPS Medical. The SPS Business is included in our Healthcare Disposables segment.

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

	Preliminary Allocation
Net Assets	
Current assets	$ 5,077,000
Property, plant and equipment	3,801,000
Amortizable intangible assets - (9- year weighted average life):	
Customer relationships (10- year life)	8,120,000
Brand names (5- year life)	760,000

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Technology (4- year life)	500,000
Non-compete agreements (6- year life)	180,000
Other assets	28,000
Current liabilities	(2,784,000)
Noncurrent deferred income tax liabilities, net	(3,659,000)
Net assets acquired	$12,023,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $23,977,000 was assigned to goodwill. Such goodwill, all of which is not deductible for income tax purposes, has been included in our Healthcare Disposables reporting segment.

The principal reasons for the acquisition were (i) to expand our sterility assurance monitoring product portfolio, (ii) to expand our market share of the dental mail-in biological monitoring industry when combined with our existing monitoring business, (iii) to expand into the acute-care hospital market and alternate care markets, (iv) to increase the likelihood of cross-selling our existing products, (v) to leverage Crosstex' sales and marketing infrastructure and (vi) the expectation that the acquisition will be accretive to our earnings per share in fiscal 2013 and beyond. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

The acquisition of the SPS Business is included in our results of operations for the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and is not reflected in the three and nine months ended April 30, 2012. The SPS Business contributed $4,687,000 and $9,349,000 in net sales for the three and nine months ended April 30, 2013, respectively. Pro forma consolidated statements of income data have not been presented due to the insignificant impact of this acquisition relative to our overall results of operations.

Byrne Medical, Inc. Disposable Endoscopy Products Business

On August 1, 2011 our Medivators subsidiary acquired the business and substantially all of the assets of BMI, a privately owned, Texas-based company that designed, manufactured and sold an innovative array of disposable infection control products intended to eliminate the challenges associated with proper cleaning and sterilization of numerous reusable components used in gastrointestinal (GI) endoscopy procedures. Excluding acquisition-related costs of $1,099,000 (of which $626,000 and $473,000 were recorded in general administrative expenses in fiscal years 2012 and 2011, respectively), we paid an aggregate purchase price of $99,361,000 (which reflects a $639,000 decrease resulting from a net asset value adjustment that was recorded as a reduction of goodwill in December 2011). The purchase price was comprised of $89,361,000 in cash and $10,000,000 in shares of Cantel common stock that is subject to both a multi-year lock-up and three-year price floor (described below). After giving effect for the Company's three-for-two stock split, the stock consideration consisted of 601,685 shares of Cantel common stock and was based on the closing price of Cantel common stock on the NYSE on July 29, 2011 ($16.62). In addition, there is up to $10,000,000 in potential cash contingent consideration payable to BMI over two years based on the achievement by the acquired business of certain targeted amounts of gross profit. A portion of the purchase price (including the stock consideration) was placed in escrow as security for indemnification obligations of BMI and its principal stockholder, Mr. Don Byrne. In addition, we purchased certain land and buildings utilized by the Byrne Medical Business from Byrne Investments LLC, an affiliate of Mr. Byrne, for $5,900,000.

We account for contingent consideration by recording the fair value of contingent consideration as a liability and an increase to goodwill on the date of the acquisition and continually re-measure the liability at each balance sheet date by recording changes in the fair value through our Condensed Consolidated Statements of Income. Accordingly, on August 1, 2011 we increased acquisition payable and goodwill by $2,700,000 to record our initial estimated fair value of the contingent consideration that would be earned over the two years ending July 31,

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2013. On a quarterly basis subsequent to August 1, 2011, we re-measured the fair value of the contingent consideration and recorded the changes in fair value by decreasing both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements resulting in contingent consideration payable of $1,500,000 at July 31, 2012, which was subsequently reduced to zero at January 31, 2013, as more fully described in Note 6 to the Condensed Consolidated Financial Statements.

Subject to certain conditions and limitations, under the price floor referred to above, we agreed that if the aggregate value of the stock consideration is less than $10,000,000 on July 31, 2014, we will pay to BMI in cash or stock (at our option) an amount equal to the difference between $10,000,000 and the then value of the shares (based on the closing price of Cantel common stock on the NYSE on July 31, 2014). This three-year price floor is a free standing financial instrument that we are required to record as a liability at fair value on the date of acquisition and continually re-measure the liability at each balance sheet date by recording changes in the fair value through our Condensed Consolidated Statements of Income. Accordingly, on August 1, 2011 we increased acquisition payable and goodwill by $3,000,000 to record our initial estimated fair value of the three-year price floor. The fair value of this liability was determined using the Black-Scholes option valuation model. On a quarterly basis subsequent to August 1, 2011, we re-measured the fair value of the price floor and recorded changes in fair value by decreasing both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements resulting in a price floor liability of $255,000 and $1,037,000 at April 30, 2013 and July 31, 2012, respectively, as more fully described in Note 6 to the Condensed Consolidated Financial Statements.

Additionally, the $10,000,000 stock portion of the purchase price was measured at fair value, which was determined using put option valuation models, to account for the discount for the multi-year lock up feature that prohibits the sellers of the Byrne Medical Business from trading the 601,685 shares of Cantel common stock during the three or four year lock-up period, which period is dependent upon whether BMI's principal stockholder is employed by us on August 1, 2014. As a result of our valuation, the fair value of the 601,685 shares was determined to be $7,640,000, of which $7,310,000 was considered purchase price and $330,000 was determined to be compensation expense that will be expensed on a straight-line basis over the minimum lock up period of three years. The determinations of fair value using option-pricing models are affected by our stock price and risk free interest rate as well as assumptions regarding a number of subjective variables, including, but not limited to, the expected stock price volatility of our common stock over the expected life of the instrument and the expected dividend yield.

Since we will be continually re-measuring both the contingent consideration liability and the three-year price floor liability at each balance sheet date and recording changes in the respective fair values through our Condensed Consolidated Statements of Income, we will potentially have significant earnings volatility in our results of operations until the completion of both the two year period relating to the contingent consideration and three year period relating to the price floor.

The components of the purchase price, as explained above, consist of the following:

Cash (including purchase of buildings)	$ 95,261,000
Fair value of the Cantel common stock with the multi-year lock-up	7,310,000
Total consideration paid at August 1, 2011	102,571,000
Price floor	3,000,000
Contingent consideration	2,700,000
Total purchase price recorded at August 1, 2011	$108,271,000

In connection with the acquisition, we acquired certain tangible assets including accounts receivable, inventories and equipment and assumed certain liabilities of BMI including trade payables, sales commissions payable and ordinary course business liabilities.

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In conjunction with the acquisition of the Byrne Medical Business and the impending expiration of our existing credit facility, we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011 with our senior lenders to fund the cash consideration paid in and the costs associated with the acquisition, as well as to refinance our existing working capital credit facilities, as more fully described in Note 9 to the Condensed Consolidated Financial Statements.

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

	Final Allocation
Net Assets	
Current assets:	
Accounts receivable	$ 4,303,000
Inventory	4,581,000
Other assets	588,000
Property, plant and equipment	10,074,000
Amortizable intangible assets (13-year weighted average life):	
Customer relationships (15-year life)	25,300,000
Brand names (10-year life)	2,200,000
Technology (8-year life)	11,900,000
Non-compete agreement (14 year-weighted-average life)	2,000,000
Other assets	105,000
Current liabilities	(2,277,000)
Other liabilities	(85,000)
Net assets acquired	$58,689,000

There were no in-process research and development projects acquired in connection with the acquisition. The excess purchase price of $49,582,000 was assigned to goodwill. Such goodwill, all of which is deductible for income tax purposes over fifteen years, has been included in our Endoscopy segment.

Since the acquisition was completed on the first day of fiscal 2012, the results of operations of the Byrne Medical Business are included in our results of operations for all periods presented. The operations of the Byrne Medical Business are fully included within our Endoscopy segment.

The principal reasons for the Byrne Acquisition were as follows: (i) the complementary nature of its infection prevention and control business which further expands our business into hospital and outpatient center-based GI endoscopy, (ii) the addition of a market leading, high margin business in a familiar segment in infection prevention and control, (iii) the increase in the percentage of our net sales derived from recurring consumables, (iv) the expectation that the acquisition increases overall corporate gross margin percentage and will be accretive to our future earnings per share, (v) the belief that the endoscopy market will convert from re-using to disposing of certain components in GI endoscopy, and (vi) the opportunity for us to further expand our business into the design, manufacture and distribution of proprietary products. Such reasons constitute the significant factors that contributed to a purchase price that resulted in recognition of goodwill.

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Intangible Assets and Goodwill (Details 2) (USD $)	9 Months Ended	12 Months Ended			9 Months Ended	12 Months Ended	9 Months Ended					9 Months Ended	12 Months Ended		
	Apr. 30, 2013	Jul. 31, 2012	Jul. 31, 2012 Endoscopy	Apr. 30, 2013 Endoscopy	Apr. 30, 2013 Water Purification and Filtration	Jul. 31, 2012 Water Purification and Filtration	Apr. 30, 2013 Healthcare Disposables	Jul. 31, 2011 Healthcare Disposables	Apr. 30, 2013 Dialysis	Jul. 31, 2012 Dialysis	Jul. 31, 2011 Dialysis	Apr. 30, 2013 All Other	Jul. 31, 2012 All Other	Apr. 30, 2013 Specialty Packaging segment	Jul. 31, 2012 Specialty Packaging segment
Changes in Goodwill															
Balance at the beginning of the period	$ 183,655,000	$ 134,770,000	$ 9,648,000	$ 59,230,000	$ 51,765,000	$ 52,074,000	$ 55,864,000	$ 55,864,000	$ 8,133,000	$ 8,133,000	$ 8,133,000	$ 8,663,000	$ 9,051,000	$ 7,110,000	
Acquisitions	24,574,000	49,582,000	49,582,000		597,000		23,977,000								
Foreign currency translation	(53,000)	(697,000)			(24,000)	(309,000)						(29,000)	(388,000)		
Balance at the end of the period	$ 208,176,000	$ 183,655,000	$ 59,230,000	$ 59,230,000	$ 52,338,000	$ 51,765,000	$ 79,841,000	$ 55,864,000	$ 8,133,000	$ 8,133,000	$ 8,133,000	$ 8,634,000	$ 8,663,000	$ 7,110,000	
Average fair value exceeding book value (as a percent)										19.00%					24.00%
Assumed compounded annual sales growth impacting the impairment assessments (as a percent)														14.00%	

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Income Taxes (Tables)

Income Taxes

Schedule of reconciliation of the beginning and ending amounts of gross unrecognized tax benefits

9 Months Ended Apr. 30, 2013	Unrecognized Tax Benefits
Unrecognized tax benefits on July 31, 2011	$ 191,000
Lapse of statute of limitations	(67,000)
Unrecognized tax benefits on July 31, 2012	124,000
Activity during the nine months ended April 30, 2013	—
Unrecognized tax benefits on April 30, 2013	$ 124,000

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Basis of Presentation (Details)	9 Months Ended	
	Apr. 30, 2013 item	Jul. 31, 2012 item
Basis of Presentation		
Number of principal operating companies	5	5
Business Description		
Number of operating segments	7	
Medivators		
Business Description		
Number of foreign subsidiaries	2	

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Fair Value Measurements (Details) (USD $)	1 Months Ended	3 Months Ended		9 Months Ended								0 Months Ended		0 Months Ended	9 Months Ended					3 Months Ended	9 Months Ended
	Feb. 29, 2012 item	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013 Recurring basis Level 1	Jul. 31, 2012 Recurring basis Level 1	Apr. 30, 2013 Recurring basis Level 2	Jul. 31, 2012 Recurring basis Level 2	Apr. 30, 2013 Recurring basis Level 3	Jul. 31, 2012 Recurring basis Level 3	Feb. 11, 2011 Recurring basis Level 3 ConFirm Monitoring Business	Mar. 31, 2012 Recurring basis Level 3 ConFirm Monitoring Business	Aug. 02, 2011 Recurring basis Level 3 Byrne Medical Business	Apr. 30, 2013 Recurring basis Level 3 Byrne Medical Business	Apr. 30, 2013 Recurring basis Total	Jul. 31, 2012 Recurring basis Total	Apr. 30, 2013 Interest rate swap agreements	Jul. 31, 2012 Interest rate swap agreements	Apr. 30, 2013 Cash flow hedge Interest rate swap agreements Reclassification from accumulated other comprehensive income	Apr. 30, 2013 Cash flow hedge Interest rate swap agreements Reclassification from accumulated other comprehensive income
Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis																					
Number of existing senior lenders of debt, whose variable interest cash flows will be exchanged by the entity with fixed interest cash flows	1																				
Interest expense		$ 733,000	$ 884,000	$ 2,141,000	$ 2,861,000															$ (53,000)	$ (168,000)
Cash flow projection period of the acquiree used to estimate fair value												1 year									
Discount rate of cash flow projections (as a percent)												7.00%		14.00%							
Initial contingent consideration liability												656,000		2,700,000							
Price floor period														3 years							
Estimated contingent consideration range, low end														0							
Estimated contingent consideration range, high end														10,000,000							
Impact of $1.00 decrease in stock price on fair value of price floor liability															36,000						
Impact of $1.00 increase in stock price on fair value of price floor liability															31,000						
Assets:																					
Money markets						4,258,000	3,916,000									4,258,000	3,916,000				
Total assets						4,258,000	3,916,000									4,258,000	3,916,000				
Acquisitions payable:																					
Contingent consideration											1,500,000				0		1,500,000				
Contingent consideration paid													855,000								
Price floor										255,000	1,037,000					255,000	1,037,000				
Initial price floor														3,000,000							
Contingent consideration period														2 years							
Portion of the contingent consideration period that has lapsed															21 months						
Total acquisitions payable										255,000	2,537,000					255,000	2,537,000				
Other liabilities:																					
Interest rate swap agreements								240,000	335,000							240,000	335,000				
Total other liabilities								240,000	335,000							240,000	335,000				
Total liabilities								240,000	335,000	255,000	2,537,000					495,000	2,872,000				
Additional disclosures																					
Current portions of derivative liabilities																		174,000	212,000		
Long-term portions of derivative liabilities																		$ 66,000	$ 123,000		

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Commitments and Contingencies (Details 3) (Byrne Medical Business)	9 Months Ended
	Apr. 30, 2013
Byrne Medical Business	
Compensation agreements	
Compensation agreement term	3 years

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Earnings Per Common Share (Details 2)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Reconciliation of weighted average number of shares and common stock equivalents attributable to common stock, to the entity's total weighted average number of shares and common stock equivalents, including participating securities				
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Participating securities (in shares)	417,610	482,218	430,736	512,599
Total weighted average number of shares and common stock equivalents attributable to both common stock and participating securities	27,500,715	27,282,401	27,442,324	27,148,269

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CONDENSED CONSOLIDATED BALANCE SHEETS (Parenthetical) (USD $) In Thousands, except Share data, unless otherwise specified	Apr. 30, 2013	Jul. 31, 2012
CONDENSED CONSOLIDATED BALANCE SHEETS		
Accounts receivable, allowance for doubtful accounts (in dollars)	$ 691	$ 1,041
Preferred Stock, par value (in dollars per share)	$ 1.00	$ 1.00
Preferred Stock, authorized shares	1,000,000	1,000,000
Preferred Stock, shares issued	0	0
Common Stock, par value (in dollars per share)	$ 0.10	$ 0.10
Common Stock, authorized shares	75,000,000	75,000,000
Common Stock, shares issued	30,014,849	29,997,898
Common Stock, shares outstanding	27,346,692	27,100,729
Treasury Stock, shares	2,668,157	2,897,169

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Warranties

Warranties	9 Months Ended Apr. 30, 2013
Warranties	

Note 8. **Warranties**

A summary of activity in the Company's warranty reserves follows:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Beginning balance	$1,232,000	$2,081,000	$1,667,000	$2,083,000
Provisions	479,000	748,000	1,182,000	2,528,000
Settlements	(634,000)	(881,000)	(1,772,000)	(2,661,000)
Foreign currency translation	—	1,000	—	(1,000)
Ending balance	$1,077,000	$1,949,000	$1,077,000	$1,949,000

The warranty provisions and settlements for the three and nine months ended April 30, 2013 and 2012 relate principally to the Company's endoscope reprocessing and water purification equipment. Warranty reserves are included in accrued expenses in the Condensed Consolidated Balance Sheets.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (USD $) In Thousands, unless otherwise specified	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME				
Net income	$ 8,998	$ 8,174	$ 29,026	$ 21,688
Other comprehensive income (loss):				
Foreign currency translation, net of tax	(192)	304	(37)	(657)
Unrealized holding losses on interest rate swaps arising during the period, net of tax	(38)	(101)	(47)	(101)
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the period	31		105	
Total other comprehensive income (loss), net of tax	(199)	203	21	(758)
Comprehensive income	$ 8,799	$ 8,377	$ 29,047	$ 20,930

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CONDENSED CONSOLIDATED BALANCE SHEETS (USD $)	Apr. 30, 2013	Jul. 31, 2012
Current assets:		
Cash and cash equivalents	$ 30,669,000	$ 30,186,000
Accounts receivable, net of allowance for doubtful accounts of $691 at April 30 and $1,041 at July 31	52,109,000	47,977,000
Inventories:		
Raw materials	23,272,000	21,084,000
Work-in-process	6,772,000	6,476,000
Finished goods	22,893,000	19,195,000
Total inventories	52,937,000	46,755,000
Deferred income taxes	4,448,000	3,799,000
Prepaid expenses and other current assets	4,466,000	3,321,000
Income taxes receivable	554,000	1,854,000
Total current assets	145,183,000	133,892,000
Property and equipment, net	45,431,000	43,022,000
Intangible assets, net	74,165,000	71,311,000
Goodwill	208,176,000	183,655,000
Prepaid acquisition	8,300,000	
Other assets	3,109,000	2,932,000
Total assets	484,364,000	434,812,000
Current liabilities:		
Current portion of long-term debt	10,000,000	10,000,000
Accounts payable	14,551,000	12,345,000
Compensation payable	11,100,000	14,312,000
Accrued expenses	10,137,000	10,370,000
Deferred revenue	10,472,000	8,114,000
Total current liabilities	56,260,000	55,141,000
Long-term debt	95,000,000	80,000,000
Deferred income taxes	23,636,000	19,894,000
Acquisition payable	255,000	2,537,000
Other long-term liabilities	1,258,000	1,304,000
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 75,000,000 shares; April 30 - 30,014,849 shares issued and 27,346,692 shares outstanding; July 31 - 29,997,898 shares issued and 27,100,729 shares outstanding	3,001,000	3,000,000
Additional paid-in capital	133,709,000	127,338,000
Retained earnings	195,071,000	167,539,000
Accumulated other comprehensive income	8,196,000	8,175,000
Treasury Stock, at cost; April 30 - 2,668,157 shares; July 31 - 2,897,169 shares	(32,022,000)	(30,116,000)

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Total stockholders' equity	307,955,000	275,936,000
Total liabilities and stockholders' equity	$ 484,364,000	$ 434,812,000

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Accumulated Other Comprehensive Income (Loss) (Details) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Components and changes in accumulated other comprehensive income (loss)				
Beginning balance	$ 8,395,000	$ 8,322,000	$ 8,175,000	$ 9,283,000
Other comprehensive income (loss) before reclassifications	(303,000)	210,000	(106,000)	(988,000)
Income tax effect on other comprehensive income (loss)	73,000	(7,000)	22,000	230,000
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the periods	53,000		168,000	
Income tax effect on reclassification adjustments	(22,000)		(63,000)	
Ending balance	8,196,000	8,525,000	8,196,000	8,525,000
Foreign Currency Translation Adjustments				
Components and changes in accumulated other comprehensive income (loss)				
Beginning balance	8,540,000	8,322,000	8,385,000	9,283,000
Other comprehensive income (loss) before reclassifications	(243,000)	371,000	(32,000)	(827,000)
Income tax effect on other comprehensive income (loss)	51,000	(67,000)	(5,000)	170,000
Ending balance	8,348,000	8,626,000	8,348,000	8,626,000
Interest Rate Swap Agreements				
Components and changes in accumulated other comprehensive income (loss)				
Beginning balance	(145,000)		(210,000)	
Other comprehensive income (loss) before reclassifications	(60,000)	(161,000)	(74,000)	(161,000)
Income tax effect on other comprehensive income (loss)	22,000	60,000	27,000	60,000
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the periods	53,000		168,000	
Income tax effect on reclassification adjustments	(22,000)		(63,000)	
Ending balance	$ (152,000)	$ (101,000)	$ (152,000)	$ (101,000)

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Commitments and Contingencies (Tables)

9 Months Ended Apr. 30, 2013

Commitments and Contingencies

Schedule of aggregate annual required payments over the remaining fiscal year, the next four years and thereafter under contractual obligations that have long-term components

	Three Months Ending July 31, 2013	Year Ending July 31, 2014	2015	2016	2017	Thereafter	Total
	(Amounts in thousands)						
Maturities of the credit facilities	$ 2,500	$10,000	$10,000	$10,000	$72,500	$ —	$105,000
Expected interest payments under the credit facilities (1)	626	2,353	2,112	1,871	5	—	6,967
Minimum commitments under noncancelable operating leases	923	3,586	2,776	1,868	1,260	4,756	15,169
Acquisition payable	—	—	255	—	—	—	255
Compensation agreements	1,092	3,786	1,496	350	75	—	6,799
Deferred compensation and other	15	54	55	43	42	63	272
Total contractual obligations	$ 5,156	$19,779	$16,694	$14,132	$73,882	$ 4,819	$134,462

(1) The expected interest payments under both the term and revolving credit facilities reflect interest rates of 2.41% and 2.40%, which were our weighted average interest rates on outstanding borrowings at April 30, 2013 and reflects the impact of our interest rate swap agreements.

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Acquisitions (Tables)

9 Months Ended Apr. 30, 2013

Eagle Pure Water Systems, Inc.

Acquisitions

Schedule of preliminary purchase price allocation to the assets acquired and assumed liabilities based on estimated fair values

		Preliminary Allocation
Net Assets		
Current assets:	$	8,000
Property, plant and equipment		70,000
Amortizable intangible assets - (3- year weighted average life):		
Customer relationships (3- year life)		150,000
Brand names (3- year life)		18,000
Non-compete agreement (5- year life)		32,000
Current liabilities		(5,000)
Net assets acquired	$	273,000

SPS Medical Supply Corp

Acquisitions

Schedule of preliminary purchase price allocation to the assets acquired and assumed liabilities based on estimated fair values

	Preliminary Allocation
Net Assets	
Current assets	$ 5,077,000
Property, plant and equipment	3,801,000
Amortizable intangible assets - (9- year weighted average life):	
Customer relationships (10- year life)	8,120,000
Brand names (5- year life)	760,000
Technology (4- year life)	500,000
Non-compete agreements (6- year life)	180,000
Other assets	28,000
Current liabilities	(2,784,000)
Noncurrent deferred income tax liabilities, net	(3,659,000)
Net assets acquired	$ 12,023,000

Byrne Medical Business

Acquisitions

Schedule of components of the purchase price

Cash (including purchase of buildings)	$	95,261,000
Fair value of the Cantel common stock with the multi-year lock-up		7,310,000
Total consideration paid at August 1, 2011		102,571,000
Price floor		3,000,000
Contingent consideration		2,700,000
Total purchase price recorded at August 1, 2011	$	108,271,000

Schedule of preliminary purchase price allocation to the assets acquired and assumed liabilities based on estimated fair values

	Final Allocation
Net Assets	
Current assets:	
Accounts receivable	$ 4,303,000
Inventory	4,581,000
Other assets	588,000
Property, plant and equipment	10,074,000
Amortizable intangible assets (13-year weighted average life):	
Customer relationships (15-year life)	25,300,000
Brand names (10-year life)	2,200,000
Technology (8-year life)	11,900,000
Non-compete agreement (14 year-weighted-average life)	2,000,000
Other assets	105,000
Current liabilities	(2,277,000)
Other liabilities	(85,000)
Net assets acquired	$ 58,689,000

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Earnings Per Common Share (Details) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Numerator for basic and diluted earnings per share:				
Net income	$ 8,998,000	$ 8,174,000	$ 29,026,000	$ 21,688,000
Less income allocated to participating securities	(137,000)	(145,000)	(454,000)	(415,000)
Net income available to common shareholders	$ 8,861,000	$ 8,029,000	$ 28,572,000	$ 21,273,000
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	26,910,626	26,510,240	26,801,127	26,332,676
Dilutive effect of stock options using the treasury stock method and the average market price for the period (in shares)	172,479	289,943	210,461	302,994
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Basic earnings per share attributable to common stock (in dollars per share)	$ 0.33	$ 0.30	$ 1.07	$ 0.81
Diluted earnings per share attributable to common stock (in dollars per share)	$ 0.33	$ 0.30	$ 1.06	$ 0.80

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Fair Value Measurements (Details 3) (USD $)	0 Months Ended	9 Months Ended	
	Jul. 31, 2012	Apr. 30, 2013 Minimum	Apr. 30, 2013 Maximum
Disclosure of Fair Value of Financial Instruments			
Interest rate base		One month LIBOR	Twelve month LIBOR
Impairment of long-lived assets, including goodwill and intangibles with indefinite lives	$ 0		

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Acquisitions (Details) (USD $)	0 Months Ended						3 Months Ended	9 Months Ended	0 Months Ended			1 Months Ended	12 Months Ended		24 Months Ended	0 Months Ended										0 Months Ended						
	Aug. 02, 2011 Second Amended and Restated Credit Agreement	Dec. 31, 2012 Eagle Pure Water Systems, Inc. item	Dec. 31, 2012 Eagle Pure Water Systems, Inc. Customer relationships	Dec. 31, 2012 Eagle Pure Water Systems, Inc. Brand name	Dec. 31, 2012 Eagle Pure Water Systems, Inc. Non-compete agreements	Nov. 13, 2012 Polyp Trap	Apr. 30, 2013 SPS Medical Supply Corp	Apr. 30, 2013 SPS Medical Supply Corp	Mar. 22, 2013 Mar Cor subsidiary Siemens' Hemodialysis Water Business	Mar. 22, 2013 Mar Cor subsidiary Siemens' Hemodialysis Water Business Minimum item	Aug. 02, 2011 Medivators subsidiary BMI item	Dec. 31, 2011 Medivators subsidiary BMI	Jul. 31, 2012 Medivators subsidiary BMI	Jul. 31, 2011 Medivators subsidiary BMI	Jul. 31, 2012 Medivators subsidiary BMI	Apr. 30, 2013 Medivators subsidiary BMI	Jan. 31, 2013 Medivators subsidiary BMI	Jul. 29, 2011 Medivators subsidiary BMI	Aug. 02, 2011 Medivators subsidiary BMI Customer relationships	Aug. 02, 2011 Medivators subsidiary BMI Brand name	Aug. 02, 2011 Medivators subsidiary BMI Technology	Aug. 02, 2011 Medivators subsidiary BMI Non-compete agreements	Aug. 02, 2011 Medivators subsidiary BMI Minimum	Aug. 02, 2011 Medivators subsidiary BMI Maximum	Aug. 02, 2011 Medivators subsidiary BMI Purchase of land and buildings from Byrne Investments LLC	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp. and SPS manufacturing and warehouse facility item	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp. and SPS manufacturing and warehouse facility Customer relationships	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp. and SPS manufacturing and warehouse facility Brand name	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp. and SPS manufacturing and warehouse facility Technology	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp. and SPS manufacturing and warehouse facility Non-compete agreements	Nov. 03, 2012 Crosstex subsidiary SPS Medical Supply Corp	Nov. 03, 2012 Crosstex subsidiary SPS manufacturing and warehouse facility in Rochester, New York
Acquisitions																																
Number of dialysis customers										600																						
Revenues generated by acquiree in latest fiscal year before the business acquisition		$ 500,000							$ 9,000,000																						$ 17,500,000	
Transaction costs									226,000																						157,000	
Total consideration for the transaction, excluding transaction costs									8,300,000																						32,500,000	
Purchase price																									5,900,000							
Estimated acquisition-related costs													626,000	473,000	1,099,000																	
Aggregate purchase price												99,361,000																				
Reduction in goodwill resulting from net asset value adjustment												639,000																				
Portion of purchase price paid in cash												89,361,000																				
Portion of purchase price paid in shares											10,000,000																					
Price floor period											3 years																					
Stock split ratio											1.5																					
Stock consideration (in shares)											601,685																					
Closing share price of Cantel to determine stock consideration (in dollars per share)																		$ 16.62														
Potential cash contingent consideration payable											10,000,000																					
Period over which potential cash contingent consideration is payable											2 years																					
Contingent consideration											2,700,000		1,500,000		1,500,000		0															
Aggregate value of the stock consideration threshold											10,000,000																					
Lock-up period prohibiting sellers from trading Cantel common stock																							3 years	4 years								
Fair value of shares											7,640,000																					
Portion of fair value of shares determined as stock-based compensation expense											330,000																					
Components of the purchase price																																
Cash (including purchase of buildings)											95,261,000																					
Fair value of the multi-year lock-up of Cantel common stock											7,310,000																					
Consideration for the transaction		870,000				486,000					102,571,000																					3,500,000
Price floor											3,000,000																					
Price floor liability													1,037,000		1,037,000	255,000																
Contingent consideration											2,700,000																					
Total purchase price recorded											108,271,000																					
Credit facility entered in conjunction with the acquisition and impending expiration of existing credit facility	150,000,000																															
Net Assets																																
Accounts receivable											4,303,000																					
Inventory											4,581,000																					
Other assets											588,000																					
Current assets		8,000																								5,077,000						
Property, plant and equipment		70,000									10,074,000															3,801,000						
Amortizable intangible assets			150,000	18,000	32,000														25,300,000	2,200,000	11,900,000	2,000,000					8,120,000	760,000	500,000	180,000		
Other assets, Noncurrent											105,000															28,000						
Current liabilities		(5,000)									(2,277,000)															(2,784,000)						
Noncurrent deferred income tax liabilities, net																										(3,659,000)						
Other liabilities											(85,000)																					
Net assets acquired		273,000									58,689,000															12,023,000						
Amortizable intangible assets, useful life		3 years	3 years	3 years	5 years						13 years								15 years	10 years	8 years	14 years				9 years	10 years	5 years	4 years	6 years		
Number of in-process research and development projects acquired		0									0															0						
Goodwill deductible for income tax purposes		597,000									49,582,000																					
Goodwill																										23,977,000						
Contribution to net sales from acquisition							$ 4,687,000	$ 9,349,000																								
Period for income tax deduction											15 years																					

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Derivatives (Details) (USD $)	1 Months Ended	3 Months Ended		9 Months Ended				9 Months Ended		9 Months Ended		9 Months Ended	
	Feb. 29, 2012 item	Apr. 30, 2013 Foreign currency forward contracts Fair value hedge instruments item	Apr. 30, 2012 Foreign currency forward contracts Fair value hedge instruments	Apr. 30, 2013 Foreign currency forward contracts Fair value hedge instruments item	Apr. 30, 2012 Foreign currency forward contracts Fair value hedge instruments	Apr. 30, 2013 Interest rate swap agreements Term Loan Facility	Aug. 08, 2012 Interest rate swap agreements Term Loan Facility	Apr. 30, 2013 Interest rate swap agreements Revolving Credit Facility	Aug. 08, 2012 Interest rate swap agreements Revolving Credit Facility	Apr. 30, 2013 Interest rate swap agreements Cash flow hedge instruments Term Loan Facility	Aug. 08, 2012 Interest rate swap agreements Cash flow hedge instruments Term Loan Facility	Apr. 30, 2013 Interest rate swap agreements Cash flow hedge instruments Revolving Credit Facility	Aug. 08, 2012 Interest rate swap agreements Cash flow hedge instruments Revolving Credit Facility
Derivatives													
Term of contracts				1 month									
Number of contracts		3		3									
Aggregate value of contracts		$ 2,488,000		$ 2,488,000									
Term of renewed contracts				1 month									
Net currency conversion gain (loss), net of tax		(2,000)	(4,000)	(46,000)	0								
Number of existing senior lenders of debt, whose variable interest cash flows will be exchanged by the entity with fixed interest cash flows	1												
Borrowing initially hedged							40,000,000		25,000,000		40,000,000		25,000,000
Reference rate, description										one month LIBOR		one month LIBOR	
Quarterly reduction in borrowings hedged						2,500,000				2,500,000			
Reference rate (as a percent)										0.664%		0.496%	
Semi-annual reduction in borrowings hedged								$ 5,000,000				$ 5,000,000	

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Intangible Assets and Goodwill

Intangible Assets and Goodwill

Intangible Assets and Goodwill

9 Months Ended Apr. 30, 2013

Note 7. Intangible Assets and Goodwill

Our intangible assets with definite lives consist of customer relationships, technology, brand names, non-compete agreements and patents. These intangible assets are being amortized using the straight-line method over the estimated useful lives of the assets ranging from 2-20 years and have a weighted average amortization period of 11 years. Amortization expense related to definite lived intangible assets was $2,598,000 and $7,438,000 for the three and nine months ended April 30, 2013, respectively, and $2,279,000 and $6,846,000 for the three and nine months ended April 30, 2012, 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:

	April 30, 2013		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 68,754,000	$(24,748,000)	$44,006,000
Technology	21,054,000	(9,094,000)	11,960,000
Brand names	12,758,000	(7,777,000)	4,981,000
Non-compete agreements	3,359,000	(655,000)	2,704,000
Patents and other registrations	1,650,000	(563,000)	1,087,000
	107,575,000	(42,837,000)	64,738,000
Trademarks and trade names	9,427,000	—	9,427,000
Total intangible assets	$117,002,000	$(42,837,000)	$74,165,000

	July 31, 2012		
	Gross	Accumulated Amortization	Net
Intangible assets with finite lives:			
Customer relationships	$ 60,271,000	$(20,421,000)	$39,850,000
Technology	20,797,000	(7,590,000)	13,207,000
Brand names	11,945,000	(6,778,000)	5,167,000
Non-compete agreements	3,147,000	(404,000)	2,743,000
Patents and other registrations	1,372,000	(463,000)	909,000
	97,532,000	(35,656,000)	61,876,000
Trademarks and trade names	9,435,000	—	9,435,000
Total intangible assets	$106,967,000	$(35,656,000)	$71,311,000

Estimated amortization expense of our intangible assets for the remainder of fiscal 2013 and the next five years is as follows:

Three month period ending July 31, 2013	$ 2,597,000
Fiscal 2014	10,099,000
Fiscal 2015	9,840,000
Fiscal 2016	6,600,000
Fiscal 2017	6,024,000

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Fiscal 2018	5,747,000

Goodwill changed during fiscal 2012 and the nine months ended April 30, 2013 as follows:

	Endoscopy	Water Purification and Filtration	Healthcare Disposables	Dialysis	All Other	Total Goodwill
Balance, July 31, 2011	$ 9,648,000	$52,074,000	$55,864,000	$8,133,000	$9,051,000	$134,770,000
Acquisitions	49,582,000	—	—	—	—	49,582,000
Foreign currency translation	—	(309,000)	—	—	(388,000)	(697,000)
Balance, July 31, 2012	59,230,000	51,765,000	55,864,000	8,133,000	8,663,000	183,655,000
Acquisitions	—	597,000	23,977,000	—	—	24,574,000
Foreign currency translation	—	(24,000)	—	—	(29,000)	(53,000)
Balance, April 30, 2013	$59,230,000	$52,338,000	$79,841,000	$8,133,000	$8,634,000	$208,176,000

On July 31, 2012, we performed impairment studies of the Company's goodwill and indefinite lived trademarks and trade names and concluded that such assets were not 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, 2012, the average fair value of all of our reporting units exceeded book value by substantial amounts, except our Dialysis and Specialty Packaging segments, which had average fair values that exceeded book values by approximately 19% and 24%, respectively. At April 30, 2013, goodwill relating to our Dialysis and Specialty Packaging reporting units were $8,133,000 and $7,110,000, respectively. We believe the most significant assumptions impacting the impairment assessment of Dialysis relate to the projected future operating results and cash flows of this segment, including the impact of the shift from reusable to single-use dialyzers as more fully explained in our "Management's Discussion and Analysis" and in "Risk Factors" in our 2012 Form 10-K. We believe the most significant assumptions impacting the impairment assessment of Specialty Packaging relate to an assumed compounded annual sales growth of 14% and future operating efficiencies included in our projections of future operating results and cash flows of this segment, which forecasts are in excess of historical run rates. If future operating results and cash flows are substantially less than our projections, future impairment charges may be recorded. On April 30, 2013, management concluded that no events or changes in circumstances have occurred during the three and nine months ended April 30, 2013 that would indicate that the carrying amount of our intangible assets and goodwill may not be recoverable.

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Accumulated Other Comprehensive Income (Loss) (Tables)

	9 Months Ended
	Apr. 30, 2013

Accumulated Other Comprehensive Income (Loss)

Schedule of the components and changes in accumulated other comprehensive income (loss)

	Three Months Ended April 30, 2013			Nine Months Ended April 30, 2013		
	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total
Beginning balance	$ 8,540,000	$ (145,000)	$8,395,000	$ 8,385,000	$ (210,000)	$8,175,000
Other comprehensive loss before reclassifications	(243,000)	(60,000)	(303,000)	(32,000)	(74,000)	(106,000)
Income tax effect on other comprehensive loss	51,000	22,000	73,000	(5,000)	27,000	22,000
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the periods	—	53,000	53,000	—	168,000	168,000
Income tax effect on reclassification adjustments	—	(22,000)	(22,000)	—	(63,000)	(63,000)
Ending balance	$ 8,348,000	$ (152,000)	$8,196,000	$ 8,348,000	$ (152,000)	$8,196,000

	Three Months Ended April 30, 2012			Nine Months Ended April 30, 2012		
	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total
Beginning balance	$ 8,322,000	$ —	$8,322,000	$ 9,283,000	$ —	$9,283,000
Other comprehensive income (loss) before reclassifications	371,000	(161,000)	210,000	(827,000)	(161,000)	(988,000)
Income tax effect on other comprehensive income (loss)	(67,000)	60,000	(7,000)	170,000	60,000	230,000

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Ending balance	$ 8,626,000	$ (101,000)	$8,525,000	$ 8,626,000	$ (101,000)	$8,525,000

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Warranties (Details) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Summary of activity in warranty reserves				
Beginning balance	$ 1,232,000	$ 2,081,000	$ 1,667,000	$ 2,083,000
Provisions	479,000	748,000	1,182,000	2,528,000
Settlements	(634,000)	(881,000)	(1,772,000)	(2,661,000)
Foreign currency translation		1,000		(1,000)
Ending Balance	$ 1,077,000	$ 1,949,000	$ 1,077,000	$ 1,949,000

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Earnings Per Common Share	9 Months Ended Apr. 30, 2013

Earnings Per Common Share

Earnings Per Common Share

Note 10. Earnings Per Common Share

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

We include participating securities (unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. 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.

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

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Numerator for basic and diluted earnings per share:				
Net income	$8,998,000	$8,174,000	$29,026,000	$21,688,000
Less income allocated to participating securities	(137,000)	(145,000)	(454,000)	(415,000)
Net income available to common stockholders	$8,861,000	$8,029,000	$28,572,000	$21,273,000
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	26,910,626	26,510,240	26,801,127	26,332,676
Dilutive effect of stock options using the treasury stock method and the average market price for the period	172,479	289,943	210,461	302,994
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Earnings per share attributable to common stock:				
Basic earnings per share	$ 0.33	$ 0.30	$ 1.07	$ 0.81

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	Three Months Ended		Nine Months Ended	
Diluted earnings per share	$ 0.33	$ 0.30	$ 1.06	$ 0.80
Stock options excluded from weighted average dilutive common shares outstanding because their inclusion would have been antidilutive	—	—	—	—

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:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Denominator for diluted earnings per share - weighted average number of shares and common stock equivalents attributable to common stock	27,083,105	26,800,183	27,011,588	26,635,670
Participating securities	417,610	482,218	430,736	512,599
Total weighted average number of shares and common stock equivalents attributable to both common stock and participating securities	27,500,715	27,282,401	27,442,324	27,148,269

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Fair Value Measurements

Fair Value Measurements

Fair Value Measurements

9 Months Ended
Apr. 30, 2013

Note 6. Fair Value Measurements

Fair Value Hierarchy

We apply the provisions of Accounting Standards Codification ("ASC") 820, *"Fair Value Measurements and Disclosures,"* ("ASC 820"), for our financial assets and liabilities that are re-measured and reported at fair value each reporting period and our nonfinancial assets and liabilities that are re-measured and reported at fair value on a non-recurring basis. We define 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.

Assets and Liabilities Measured and Recorded at Fair Value on a Recurring Basis

As of April 30, 2013 and 2012, our financial assets that are re-measured at fair value on a recurring basis include money market funds that are classified as cash and cash equivalents in the Condensed Consolidated Balance Sheets. As there are no withdrawal restrictions, they are classified within Level 1 of the fair value hierarchy and are valued using quoted market prices for identical assets.

Additionally, in order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders, as further described in Notes 5 and 9 to the Condensed Consolidated Financial Statements. Our interest rate swap agreements are classified within Level 2 and are valued using discounted cash flow analyses based on the terms of the contracts and the interest rate curves. Changes in fair value in these interest rate swap agreements during the three and nine months ended April 30, 2013 were recorded in accumulated other comprehensive income in the Condensed Consolidated Statements of Comprehensive Income. Amounts are reclassified from accumulated other comprehensive income in the period the hedged transaction affects earnings. Accordingly, during the three and nine months ended April 30, 2013, we reclassified $53,000 and $168,000, respectively, from accumulated other comprehensive income to interest expense in the Condensed Consolidated Statements of Income.

We also had contingent consideration relating to the acquisition of the sterilization monitoring business of ConFirm Monitoring Systems, Inc. on February 11, 2011. The fair value of this liability was based on future sales projections of the ConFirm Monitoring Business under various potential scenarios for the one year period ended January 31, 2012 and weighting the probability of these outcomes. At the date of the acquisition, these cash flow projections were discounted using a rate of 7%. The discount rate was based on the weighted average cost of capital of the acquired business plus a credit risk premium for non-performance risk. This analysis resulted in an initial contingent consideration liability of $656,000, which was subsequently adjusted by recording the change in the fair value through our results of operations as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis. These fair value measurements were based on significant inputs not

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observed in the market and thus represented a Level 3 measurement. Based on actual sales results for the one year period ended January 31, 2012, the final contingent consideration liability was determined to be $855,000 at January 31, 2012 and was paid in March 2012.

On August 1, 2011 (the first day of our fiscal 2012), we recorded a $2,700,000 liability for the estimated fair value of contingent consideration and a $3,000,000 liability for the estimated fair value of the three year price floor relating to the Byrne Acquisition, as further described in Note 3 to the Condensed Consolidated Financial Statements. These fair value measurements were based on significant inputs not observed in the market and thus represent Level 3 measurements.

The fair value of the contingent consideration liability was based on future gross profit projections of the Byrne Medical Business under various potential scenarios for the two year period ending July 31, 2013 and weighting the probability of these outcomes. As such, the determination of fair value of the contingent consideration is subjective in nature and highly dependent on future gross profit projections. At the date of the acquisition, these cash flow projections were discounted using a rate of 14%. The discount rate was based on the weighted average cost of capital of the acquired business plus a credit risk premium for non-performance risk. This contingent consideration liability was adjusted periodically by recording changes in the fair value through our Condensed Consolidated Statements of Income, as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis, driven by the time value of money and changes in the assumptions that were initially used in the valuation. The decrease to the contingent consideration liability was due to the actual gross profit results for the first year and three-quarters of the two-year contingent consideration period, and the reassessment of the weighted probability of the future gross profit projections of the remaining portion of the two year period ending July 31, 2013 and was recorded as a decrease to both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements. The final contingent consideration liability has the potential of being between zero and $10,000,000. However, the different likely scenarios of future gross profit and the weighted average of such scenarios resulted in a fair value of zero at each of January 31, 2013 and April 30, 2013. Such fair value would have been higher if we had used different probability factors, future gross profit projections or discount factors. However, given the short period of time until the end of the two year period, it is highly unlikely that any portion of the contingent consideration liability will be earned.

The fair value of the three year price floor liability was determined using the Black-Scholes option valuation model, which is affected by our stock price and risk free interest rate as well as assumptions regarding a number of subjective variables, including, but not limited to, the expected stock price volatility of our common stock over the expected life of the instrument and the expected dividend yield. This liability is adjusted periodically by recording changes in the fair value through our Condensed Consolidated Statements of Income, as shown below in the reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis, driven by the time value of money and changes in the assumptions that were initially used in the valuation. The decrease to the fair value of the price floor (as determined by the Black-Scholes option valuation model) was recorded as a decrease to both acquisition payable and general and administrative expenses in the Condensed Consolidated Financial Statements and was primarily due to the impact of our stock price being higher than at the time of the acquisition, the life of the price floor being less than three years and changes in the expected stock price volatility. Future changes in these factors, especially changes in our stock price, may result in significant future earnings volatility. For instance, if our stock price at April 30, 2013 was $1.00 lower, the fair value of the price floor would have been approximately $36,000 higher, which would have decreased our operating income by $36,000. Conversely, if our stock price at April 30, 2013 was $1.00 higher, the fair value of the price floor would have been approximately $31,000 lower, which would have increased our operating income by $31,000.

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

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	April 30, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money markets	$4,258,000	$ —	$ —	$4,258,000
Total assets	$4,258,000	$ —	$ —	$4,258,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ —	$ —	$ —	$ —
Price floor	—	—	255,000	255,000
Total acquisition payable	—	—	255,000	255,000
Other liabilities:				
Interest rate swap agreements	—	240,000	—	240,000
Total other liabilities (1)	—	240,000	—	240,000
Total liabilities	$ —	$ 240,000	$ 255,000	$ 495,000

	July 31, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money markets	$3,916,000	$ —	$ —	$3,916,000
Total assets	$3,916,000	$ —	$ —	$3,916,000
Liabilities:				
Acquisition payable:				
Contingent consideration	$ —	$ —	$1,500,000	$1,500,000
Price floor	—	—	1,037,000	1,037,000
Total acquisition payable	—	—	2,537,000	2,537,000
Other liabilities:				
Interest rate swap agreements	—	335,000	—	335,000
Total other liabilities (1)	—	335,000	—	335,000
Total liabilities	$ —	$ 335,000	$2,537,000	$2,872,000

(1) At April 30, 2013 and July 31, 2012, the current portions of the interest swap agreements of $174,000 and $212,000, respectively, are recorded in accrued expenses and the long-term portions of the interest swap agreements of $66,000 and $123,000, respectively, are recorded in other long-term liabilities.

A reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) for the last seven quarters is as follows:

	ConFirm Contingent Consideration	Byrne Contingent Consideration	Byrne Price Floor	Total
Balance, July 31, 2011	$ 775,000	$ —	$ —	775,000
Total net unrealized (gains)/losses included in general and administrative expense in earnings	(86,000)	100,000	(582,000)	(568,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	2,700,000	3,000,000	5,700,000
Balance, October 31, 2011	689,000	2,800,000	2,418,000	5,907,000

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Total net unrealized (gains)/losses included in general and administrative expense in earnings	166,000	100,000	(623,000)	(357,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, January 31, 2012	855,000	2,900,000	1,795,000	5,550,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(395,000)	(395,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	(855,000)	—	—	(855,000)
Balance, April 30, 2012	—	2,900,000	1,400,000	4,300,000
Total net unrealized gains included in general and administrative expense in earnings	—	(1,400,000)	(363,000)	(1,763,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, July 31, 2012	—	1,500,000	1,037,000	2,537,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(313,000)	(313,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, October 31, 2012	—	1,500,000	724,000	2,224,000
Total net unrealized gains included in general and administrative expense in earnings	—	(1,500,000)	(410,000)	(1,910,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, January 31, 2013	—	—	314,000	314,000
Total net unrealized gains included in general and administrative expense in earnings	—	—	(59,000)	(59,000)
Transfers into or out of level 3	—	—	—	—
Net purchases, issuances, sales and settlements	—	—	—	—
Balance, April 30, 2013	$ —	$ —	$ 255,000	$ 255,000

Assets Measured and Recorded at Fair Value on a Nonrecurring Basis

We re-measure the fair value of certain assets, such as intangible assets, goodwill and long-lived assets, including property and equipment and convertible notes receivable, 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. In performing a review for goodwill impairment, management first assesses qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than the carrying amount before proceeding to step one of the two-step quantitative goodwill impairment test, if necessary. For our quantitative test, we use a two-step process that begins with an estimation of the fair value of the related operating segments by using fair value results of the discounted cash flow methodology, as well as the market multiple and comparable transaction methodologies 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 performs a qualitative assessment,

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and if a quantitative assessment is necessary, we compare the current fair value of such assets to their carrying values. With respect to amortizable intangible assets when impairment indicators are present, management determines whether expected future non-discounted cash flows is sufficient to recover the carrying value of the assets; if not, the carrying value of the assets is adjusted to their fair value. With respect to long-lived assets, 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. As the inputs utilized for our periodic impairment assessments are not based on observable market data, but are based on management's assumptions and estimates, our goodwill, intangibles and long-lived assets are classified within Level 3 of the fair value hierarchy on a non-recurring basis. On July 31, 2012, management concluded that none of our long-lived assets, including goodwill and intangibles with indefinite-lives, were impaired and no other events or changes in circumstances have occurred during the nine months ended April 30, 2013 that would indicate that the carrying amount of our long-lived assets may not be recoverable.

Disclosure of Fair Value of Financial Instruments

As of April 30, 2013 and July 31, 2012, the carrying amounts for cash and cash equivalents (excluding money markets), accounts receivable and accounts payable approximated fair value due to the short maturity of these instruments. We believe that as of April 30, 2013 and July 31, 2012, the fair value of our outstanding borrowings under our credit facilities approximated the carrying value of those obligations since the borrowing rates were at prevailing market interest rates, principally under LIBOR contracts ranging from one to twelve months.

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Basis of Presentation	9 Months Ended Apr. 30, 2013
Basis of Presentation	
Basis of Presentation	**Note 1. Basis of Presentation**

Note 1. **Basis of Presentation**

The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with United States generally accepted accounting principles for interim financial reporting and the requirements of Form 10-Q and Rule 10.01 of Regulation S-X. Accordingly, they do not include certain information and note disclosures required by generally accepted accounting principles for annual financial reporting and should be read in conjunction with the Consolidated Financial Statements and notes thereto included in the Annual Report of Cantel Medical Corp. ("Cantel") on Form 10-K for the fiscal year ended July 31, 2012 (the "2012 Form 10-K") and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere herein.

The unaudited interim financial statements reflect all adjustments (of a normal and recurring nature) which management considers necessary for a fair presentation of the results of operations for these periods. The results of operations for the interim periods are not necessarily indicative of the results for the full year.

The Condensed Consolidated Balance Sheet at July 31, 2012 was derived from the audited Consolidated Balance Sheet of Cantel at that date.

Cantel had five principal operating companies at April 30, 2013 and July 31, 2012; Medivators Inc. ("Medivators"), 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, Medivators has two foreign subsidiaries, Medivators B.V. and Medivators Asia/Pacific Ltd., which serve as Medivators' bases in Europe and Asia/Pacific, respectively, and Crosstex has a newly acquired subsidiary, SPS Medical Supply Corp., as more fully described below and in Note 3 to the Condensed Consolidated Financial Statements.

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

On March 22, 2013, Mar Cor entered into an agreement to acquire from Siemens Industry, Inc. and Siemens Canada Limited (collectively, "Siemens") certain net assets of Siemens' hemodialysis water business (the "Siemens Water Business" or the "Siemens Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements.

On December 31, 2012, Mar Cor acquired certain net assets of Eagle Pure Water Systems, Inc. (the "Eagle Pure Water Business" or the "Eagle Pure Water Acquisition"), as more fully described in Note 3 to the Condensed Consolidated Financial Statements. The Eagle Pure Water Acquisition had an insignificant effect on our results of operations for the three and nine months ended April 30, 2013 due to the small size of this business and is not reflected in our results of operations for the three and nine months ended April 30, 2012. The Eagle Pure Water Business is included in our Water Purification and Filtration segment.

On November 1, 2012, Crosstex acquired all the issued and outstanding stock of SPS Medical Supply Corp. (the "SPS Business" or "SPS Medical"), as more fully described in Note 3

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to the Condensed Consolidated Financial Statements. Its results of operations are included in the three months ended April 30, 2013 and the portion of the nine months ended April 30, 2013 subsequent to its acquisition date, and are not reflected in the three and nine months ended April 30, 2012. The SPS Business is included in our Healthcare Disposables segment.

On August 1, 2011, Medivators acquired the business and substantially all of the assets of Byrne Medical, Inc. (“BMI”), as more fully described in Note 3 to the Condensed Consolidated Financial Statements. The results of operations for the acquired business (the “Byrne Medical Business” or the “Byrne Acquisition”) are included in our results of operations for all periods presented and are included in our Endoscopy segment.

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

We performed a review of events subsequent to April 30, 2013. Based upon that review, no subsequent events occurred that required updating to our Condensed Consolidated Financial Statements or disclosures.

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Operating Segments (Details) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Concentration risk				
Consolidated net sales	$ 105,009,000	$ 97,238,000	$ 311,053,000	$ 287,797,000
Water Purification and Filtration				
Concentration risk				
Consolidated net sales	29,473,000	25,955,000	88,099,000	76,505,000
Dialysis				
Concentration risk				
Consolidated net sales	8,072,000	8,902,000	25,019,000	27,180,000
Healthcare Disposables				
Concentration risk				
Consolidated net sales	22,674,000	19,336,000	66,968,000	56,668,000
Segment sales | Customer concentration | Water Purification and Filtration | DaVita				
Concentration risk				
Concentration risk (as a percent)			26.80%	
Segment sales | Customer concentration | Water Purification and Filtration | Another large dialysis provider				
Concentration risk				
Concentration risk (as a percent)			26.30%	
Segment sales | Customer concentration | Dialysis | DaVita				
Concentration risk				
Concentration risk (as a percent)			36.60%	
Segment sales | Customer concentration | Healthcare Disposables | Four customers				
Concentration risk				
Number of customers concentration risk			4	
Concentration risk (as a percent)			52.80%	
Net sales | Customer concentration | DaVita				
Concentration risk				
Concentration risk (as a percent)			10.50%	
Consolidated net sales			$ 32,785,000	
Net sales | Customer concentration | DaVita and another large dialysis provider				
Concentration risk				
Number of customers concentration risk			2	
Concentration risk (as a percent)			18.00%	
Net sales | Customer concentration | Four customers				
Concentration risk				
Concentration risk (as a percent)			11.40%	

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Income Taxes (Details 2) (USD $)	12 Months Ended Jul. 31, 2012	Apr. 30, 2013
Reconciliation of the beginning and ending amounts of gross unrecognized tax benefits		
Unrecognized tax benefits at the beginning of the period	$ 191,000	$ 124,000
Lapse of statute of limitations	(67,000)	
Unrecognized tax benefits at the end of the period	$ 124,000	$ 124,000

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Stock-Based Compensation (Details) (USD $)	3 Months Ended		9 Months Ended	
	Apr. 30, 2013	Apr. 30, 2012	Apr. 30, 2013	Apr. 30, 2012
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	$ 919,000	$ 706,000	$ 2,806,000	$ 3,019,000
Income tax benefits	(332,000)	(247,000)	(1,008,000)	(1,073,000)
Total stock-based compensation expense, net of tax	587,000	459,000	1,798,000	1,946,000
Decrease in earnings per common share due to stock-based compensation:				
Basic (in dollars per share)	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Diluted (in dollars per share)	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Cost of sales				
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	41,000	51,000	133,000	141,000
Operating expenses: Selling				
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	69,000	109,000	250,000	300,000
Operating expenses: General and administrative				
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	802,000	533,000	2,396,000	2,545,000
Operating expenses: Research and development				
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	7,000	13,000	27,000	33,000
Total operating expenses				
Income statement components of stock-based compensation expense recognized in Consolidated Statements of Income				
Stock-based compensation before income taxes	$ 878,000	$ 655,000	$ 2,673,000	$ 2,878,000

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Accumulated Other Comprehensive Income (Loss)

9 Months Ended

Apr. 30, 2013

Accumulated Other Comprehensive Income (Loss)

Accumulated Other Comprehensive Income (Loss)

Note 13. Accumulated Other Comprehensive Income (Loss)

The components and changes in accumulated other comprehensive income (loss) for the three and nine months ended April 30, 2013 and 2012 were as follows:

	Three Months Ended April 30, 2013			Nine Months Ended April 30, 2013		
	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total
Beginning balance	$ 8,540,000	$ (145,000)	$8,395,000	$ 8,385,000	$ (210,000)	$8,175,000
Other comprehensive loss before reclassifications	(243,000)	(60,000)	(303,000)	(32,000)	(74,000)	(106,000)
Income tax effect on other comprehensive loss	51,000	22,000	73,000	(5,000)	27,000	22,000
Reclassification adjustments to interest expense for losses on interest rate swaps included in net income during the periods	—	53,000	53,000	—	168,000	168,000
Income tax effect on reclassification adjustments	—	(22,000)	(22,000)	—	(63,000)	(63,000)
Ending balance	$ 8,348,000	$ (152,000)	$8,196,000	$ 8,348,000	$ (152,000)	$8,196,000

	Three Months Ended April 30, 2012			Nine Months Ended April 30, 2012		
	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total	Foreign Currency Translation Adjustments	Interest Rate Swap Agreements	Total
Beginning balance	$ 8,322,000	$ —	$8,322,000	$ 9,283,000	$ —	$9,283,000
Other comprehensive income (loss) before reclassifications	371,000	(161,000)	210,000	(827,000)	(161,000)	(988,000)
Income tax effect on other comprehensive income (loss)	(67,000)	60,000	(7,000)	170,000	60,000	230,000
Ending balance	$ 8,626,000	$ (101,000)	$8,525,000	$ 8,626,000	$ (101,000)	$8,525,000

Due to the terms of the interest rate swap agreements as more fully described in Notes 5 and 6, reclassification adjustments from accumulated other comprehensive income (loss) did not occur during the three and nine months ended April 30, 2012.

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Financing Arrangements	9 Months Ended Apr. 30, 2013
Financing Arrangements	
Financing Arrangements	

Note 9. Financing Arrangements

In conjunction with the Byrne Acquisition and the impending expiration of our existing revolving credit facility (“Existing Revolver Facility”), we entered into a $150,000,000 Second Amended and Restated Credit Agreement dated as of August 1, 2011 (the “New U.S. Credit Agreement”) with our existing consortium of senior lenders to fund the cash consideration paid and the costs associated with the acquisition, as well as to refinance our Existing Revolver Facility. The New U.S. Credit Agreement includes (i) a five-year $100,000,000 senior secured revolving credit facility with sublimits of up to $20,000,000 for letters of credit and up to $5,000,000 for swing line loans (the “Revolving Credit Facility”) and (ii) a $50,000,000 senior secured term loan facility (the “Term Loan Facility”). The New U.S. Credit Agreement expires on August 1, 2016. Amounts we repay under the Term Loan Facility may not be reborrowed. Subject to the satisfaction of certain conditions precedent, the Company may from time to time increase the Revolving Credit Facility by an aggregate amount not to exceed $50,000,000 without the consent of the lenders. The senior lenders include Bank of America (the lead bank and administrative agent), PNC Bank, National Association, and Wells Fargo Bank, National Association. Debt issuance costs relating to the New U.S. Credit Agreement were recorded in other assets and are being amortized over the life of the credit facilities. Such unamortized debt issuance costs amounted to $839,000 at April 30, 2013.

Borrowings under the New U.S. Credit Agreement bear interest at rates ranging from 0.25% to 2.00% above the lender’s base rate, or at rates ranging from 1.25% to 3.00% above the London Interbank Offered Rate (“LIBOR”), depending upon the Company’s “Consolidated Leverage Ratio,” which is defined as the consolidated ratio of total funded debt to earnings before interest, taxes, depreciation and amortization, and as further adjusted under the terms of the New U.S. Credit Agreement (“Consolidated EBITDA”). At April 30, 2013, the lender’s base rate was 3.25% and the LIBOR rates ranged from 0.20% to 0.87%. The margins applicable to our outstanding borrowings were 0.75% above the lender’s base rate or 1.75% above LIBOR. Substantially all of our outstanding borrowings were under LIBOR contracts at April 30, 2013. The New U.S. Credit Agreement also provides for fees on the unused portion of our facilities at rates ranging from 0.25% to 0.50%, depending upon our Consolidated Leverage Ratio; such rate was 0.30% at April 30, 2013.

In order to protect our interest rate exposure in future years, we entered into forward starting interest rate swap agreements in February 2012 in which we agree to exchange our variable interest cash flows with fixed interest cash flows provided by one of our existing senior lenders. With respect to our Term Loan Facility, the interest rate swap is for the period that began August 8, 2012 and ends July 31, 2015, initially covering $40,000,000 of borrowings based on one-month LIBOR and thereafter reducing in quarterly $2,500,000 increments consistent with the mandatory repayment schedule, and the fixed interest cash flow is at a one month LIBOR rate of 0.664%. With respect to our Revolving Credit Facility, the interest rate swap is for the period that began August 8, 2012 and ends January 31, 2014, initially covering $25,000,000 of borrowings based on one-month LIBOR and thereafter reducing semi-annually by increments of $5,000,000, and the fixed interest cash flow is at a one month LIBOR rate of 0.496%.

The principal amounts of the Term Loan Facility are to be paid in twenty consecutive quarterly installments of $2,500,000 beginning on September 30, 2011. The New U.S. Credit Agreement permits us to make optional prepayments of loans at any time without premium or penalty other than customary LIBOR breakage fees. We are required to make mandatory prepayments of amounts outstanding under the New U.S. Credit Agreement of: (i) 100% of the net proceeds received from certain sales or other dispositions of all or any part of the Company and its subsidiaries’ assets, (ii) 100% of certain insurance and condemnation proceeds received by the Company or any of its subsidiaries, (iii) subject to certain exceptions, 100% of the net cash

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proceeds received by the Company or any of its subsidiaries from the issuance or occurrence of any indebtedness of the Company or any of its subsidiaries, and (iv) subject to certain exceptions, 100% of the net proceeds of the sale of certain equity.

The New U.S. Credit Agreement contains affirmative and negative covenants reasonably customary for similar credit facilities and is secured by (i) substantially all assets of Cantel and its United States-based subsidiaries (including Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental Products, Inc.) and (ii) a pledge by Cantel of all of the outstanding shares of Medivators, Mar Cor, Crosstex, SPS Medical and Strong Dental owned by Cantel and 65% of the outstanding shares of Cantel's foreign-based subsidiaries. We are in compliance with all financial and other covenants under the New U.S. Credit Agreement.

On April 30, 2013, we had $105,000,000 of outstanding borrowings under the New U.S. Credit Agreement, which consisted of $32,500,000 and $72,500,000 under the Term Loan Facility and the Revolving Credit Facility, respectively, and $27,500,000 was available to be borrowed under our Revolving Credit Facility. Subsequent to April 30, 2013, we repaid $5,000,000 under our Revolving Credit Facility resulting in total outstanding borrowings of $100,000,000 at May 31, 2013.

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Stock-Based Compensation (Tables)	9 Months Ended Apr. 30, 2013

Stock-Based Compensation

Schedule of the income statement components of stock-based compensation expense recognized in the Consolidated Statements of Income

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Cost of sales	$ 41,000	$ 51,000	$ 133,000	$ 141,000
Operating expenses:				
Selling	69,000	109,000	250,000	300,000
General and administrative	802,000	533,000	2,396,000	2,545,000
Research and development	7,000	13,000	27,000	33,000
Total operating expenses	878,000	655,000	2,673,000	2,878,000
Stock-based compensation before income taxes	919,000	706,000	2,806,000	3,019,000
Income tax benefits	(332,000)	(247,000)	(1,008,000)	(1,073,000)
Total stock-based compensation expense, net of tax	$587,000	$459,000	$1,798,000	$1,946,000
Decrease in earnings per common share due to stock-based compensation:				
Basic	$ 0.02	$ 0.02	$ 0.07	$ 0.07
Diluted	$ 0.02	$ 0.02	$ 0.07	$ 0.07

Summary of nonvested stock award activity

	Number of Shares	Weighted Average Fair Value
Nonvested stock awards at July 31, 2012	472,005	$ 13.73
Granted	132,692	25.60
Canceled	(8,830)	17.23
Vested	(181,435)	13.06
Nonvested stock awards at April 30, 2013	414,432	$ 17.75

Weighted-average assumptions used to estimate fair value of stock options granted using the Black-Scholes option valuation model

Weighted-Average Black-Scholes Option Valuation Assumptions	Nine Months Ended April 30, 2013
Dividend yield	0.37%

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Expected volatility (1)	0.509
Risk-free interest rate (2)	0.67%
Expected lives (in years) (3)	5.00

(1) Volatility was based on historical closing prices of our common stock.
(2) The U.S. Treasury rate on the expected life at the date of grant.
(3) Based on historical exercise behavior.

Summary of stock option activity

	Number of Shares	Weighted Average Exercise Price
Outstanding at July 31, 2012	548,823	$ 9.86
Granted	35,000	25.56
Canceled	(6,000)	12.61
Exercised	(209,266)	9.80
Outstanding at April 30, 2013	368,557	$ 11.34
Exercisable at July 31, 2012	364,110	$ 9.43
Exercisable at April 30, 2013	333,557	$ 9.85

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Operating Segments

9 Months Ended Apr. 30, 2013

Operating Segments
Operating Segments

Note 14. **Operating Segments**

We are a leading provider of infection prevention and control products and services in the healthcare market. Our products include water purification equipment, sterilants, disinfectants and cleaners, specialized medical device reprocessing systems for endoscopy and renal dialysis, disposable infection control products primarily for dental and GI endoscopy markets, dialysate concentrates and other dialysis supplies, hollow fiber membrane filtration and separation products for medical and non-medical applications, and specialty packaging for the transport and temperature regulation 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.

None of our customers accounted for 10% or more of our consolidated net sales during the nine months ended April 30, 2013 and 2012, except for DaVita Inc. ("DaVita") in the current nine month period, which accounted for approximately 10.5%, or approximately $32,785,000, of our consolidated net sales and approximately 26.8% and 36.6% of our net sales in our Water Purification and Filtration and Dialysis segments, respectively.

The Company's segments are as follows:

Endoscopy, which includes medical device reprocessing systems, disinfectants, detergents and other supplies used to high-level disinfect flexible endoscopes and other approved devices. This segment also offers disposable infection control products intended to eliminate the challenges associated with proper cleaning and sterilization of numerous reusable components used in gastrointestinal (GI) endoscopy procedures. Additionally, this segment includes technical maintenance service on its products.

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.

DaVita and another large dialysis provider accounted for approximately 26.8% and 26.3%, respectively, of our Water Purification and Filtration segment net sales for the nine months ended April 30, 2013. Combined, these two customers accounted for approximately 18.0% of our consolidated net sales for the nine months ended April 30, 2013.

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. This segment also offers a broad suite of biological and chemical indicators for purposes of sterility assurance monitoring.

Four customers collectively accounted for approximately 52.8% of our Healthcare Disposables segment net sales and approximately 11.4% of our consolidated net sales during the nine months ended April 30, 2013.

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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. This segment does not include water purification products and services sold to dialysis clinics; such sales are reported as part of Water Purification and Filtration.

All Other

In accordance with quantitative thresholds established by ASC 280, we have combined 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 and decontamination services used in various applications for infection prevention and control.

The operating segments follow the same accounting policies used for our Condensed Consolidated Financial Statements as described in Note 2 to the 2012 Form 10-K.

Information as to operating segments is summarized below:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Net sales:				
Endoscopy	$ 39,694,000	$38,606,000	$115,795,000	$115,037,000
Water Purification and Filtration	29,473,000	25,955,000	88,099,000	76,505,000
Healthcare Disposables	22,674,000	19,336,000	66,968,000	56,668,000
Dialysis	8,072,000	8,902,000	25,019,000	27,180,000
All Other	5,096,000	4,439,000	15,172,000	12,407,000
Total	$105,009,000	$97,238,000	$311,053,000	$287,797,000
Operating income:				
Endoscopy	$ 7,241,000	$ 7,847,000	$ 24,386,000	$ 22,081,000
Water Purification and Filtration	2,846,000	2,818,000	10,243,000	8,380,000
Healthcare Disposables	3,991,000	3,529,000	12,791,000	9,138,000
Dialysis	1,990,000	2,217,000	6,478,000	6,578,000
All Other	1,109,000	132,000	2,396,000	(373,000)
	17,177,000	16,543,000	56,294,000	45,804,000
General corporate expenses	(2,954,000)	(2,769,000)	(9,236,000)	(8,089,000)
Interest expense, net	(733,000)	(884,000)	(2,141,000)	(2,861,000)
Other expense	—	—	—	(605,000)
Income before income taxes	$ 13,490,000	$12,890,000	$ 44,917,000	$ 34,249,000

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Document and Entity Information	9 Months Ended Apr. 30, 2013	May 31, 2013
Document and Entity Information		
Entity Registrant Name	CANTEL MEDICAL CORP	
Entity Central Index Key	0000019446	
Document Type	10-Q	
Document Period End Date	Apr. 30, 2013	
Amendment Flag	false	
Current Fiscal Year End Date	--07-31	
Entity Current Reporting Status	Yes	
Entity Filer Category	Accelerated Filer	
Entity Common Stock, Shares Outstanding		27,383,355
Document Fiscal Year Focus	2013	
Document Fiscal Period Focus	Q3	

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Legal Proceedings	9 Months Ended Apr. 30, 2013
Legal Proceedings	
Legal Proceedings	**Note 15.** **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.

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