

**SHARPS COMPLIANCE CORP.**

**TO: All employees of SHARPS COMPLIANCE CORP. (the “Company”)**

**RE : Statement Of Company Policy: Securities Trades By Company Personnel**

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***The Need for a Policy Statement.*** During the course of your employment with the Company you may become aware of nonpublic information regarding the Company that a reasonable investor would find material in deciding whether to buy or sell the Company’s securities. Trading in the Company’s securities while in the possession of such “inside information,” or passing on the information so that others may do so, is a violation of federal law and may also be harmful to the Company.

***Federal Law.*** The securities laws of the United States prohibit trading in the Company’s securities if you are in possession of material information regarding either the Company or the market for the Company’s securities that has not yet become a matter of general public knowledge. The securities laws also prohibit the communication of inside information to others for the purpose of influencing them to purchase or sell securities of the Company.

***Penalties for the Individual.*** Under the Insider Trading and Securities Fraud Enforcement Act of 1988 (the “Insider Trading Act”), penalties for an individual violating the insider trading provisions of the federal securities laws include:

- A civil penalty of up to three times the profit gained or loss avoided;
- A criminal fine (no matter how small the profit) of up to \$1 million; and
- A jail term of up to ten years.

These penalties could apply to you if you communicate inside information to another, even if you do not derive any personal benefit from the other person’s actions.

***Penalties for the Company and, Possibly, Members of Management.*** Insider trading by the Company’s directors, officers and employees can also subject the Company, as well as members of management, to sanctions under the federal securities laws, including those established by the Insider Trading Act, consisting of criminal penalties of up to \$2.5 million and civil penalties of the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee’s violation.

***Damage to the Company’s Reputation.*** In addition to the legal implications of insider trading, the Company is concerned about its reputation. Even a Securities and Exchange Commission (“SEC”) investigation that did not result in prosecution could tarnish the Company’s reputation (as well as damage the careers of the individuals involved).

***Material Information.*** Material information is any information that a reasonable investor would consider important in a decision to buy, hold or sell securities. In short, any information that could reasonably affect the price of the securities.

**Examples.** Examples of information frequently regarded as material are: a projection of operating results; news of a pending or proposed merger or acquisition; news of a significant sale of assets or the disposition of a subsidiary; a change in the amount of distributions the Company intends to make; a significant change in management; and the gain or loss of a substantial supplier or customer. This list is by no means exhaustive and either positive or negative information may be material.

**When Information is Public.** In addition to trading prior to a public announcement, it would be improper also for an employee to enter a trade immediately after the Company has made a public announcement of material information, including earnings releases, because the Company's shareholders and the investing public would not have had the time to receive the information, evaluate it and, if appropriate, act on it. As a general rule you should not engage in any transactions until the third business day after the information has been released, to allow for public dissemination and evaluation of the information.

**Enforcement Techniques.** The SEC and the stock exchanges have instituted computerized stock-watch mechanisms and inquiry procedures to identify any unusual trading during periods preceding announcements of significant corporate developments. You should anticipate that the SEC and the exchanges will conduct reviews of trading in the Company's securities during the period preceding the announcement by the Company of material information. Prosecution of cases involving apparent trading on material nonpublic information is a top priority in the SEC's Division of Enforcement. Congress also has empowered the SEC to pay "bounties" to persons providing information leading to the imposition of civil penalties against insider traders and "tippers."

**Company Policy.** For all of these reasons, the Company has adopted the following policy relating to insider trading:

If an employee has material nonpublic information relating to the Company or the market for its securities, neither that person nor any related person may buy or sell securities of the Company or so-called "derivative securities" (such as put options and call options) relating to securities of the Company or engage in any other action to take advantage of, or pass on to others, that information. This policy also applies to material nonpublic information relating to any other company, including our customers and suppliers, obtained in the course of employment.

**Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve our reputation for adhering to the highest standards of conduct. The Company reserves the right to terminate for cause any employee who does not comply with this policy.**

***Transactions by Family Members.*** The restrictions that apply to you also apply to members of your family and others living in your household. Each employee is responsible for the compliance of his or her immediate family and others living in the household.

***Additional Restrictions Apply to Some Individuals.*** In addition to the foregoing restrictions, directors, officers and certain designated employees referred to as “Designated Insiders” are presumed to be in possession of material nonpublic information in the ordinary course of their duties with the Company. The term “Designated Insider” includes any person who is a Director or Executive Officer and such additional persons as may be designated by the Securities Compliance Officer (designated as the Company’s Chief Financial Officer) with the concurrence of the Chief Executive Officer. Designated Insiders, directors and officers are collectively referred to in Addendum I as “Insiders”. Insiders are subject to the restrictions described herein and additional restrictions detailed in Addendum I which, if you are an Insider, is attached to this memorandum for your reference.

***Ownership of the Company’s Securities.*** Although the Company continues to encourage its employees to take an interest in it through the ownership of its securities, for your protection transactions in those securities must be restricted by the policy outlined above.

***Additional Assistance.*** This memorandum addresses insider trading restrictions under the federal securities laws in a general manner only and does not address the securities laws of any state or federal securities laws issues other than insider trading. Any person who has any questions about specific transactions may obtain additional guidance from our Securities Compliance Officer. Remember, however, the ultimate responsibility for adhering to this policy statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.



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Dr. Burt Kunik,  
President and Chief Executive Officer

Please sign one copy of this memorandum and return it to David P. Tusa, our Securities Compliance Officer.

I have reviewed this Statement of Company Policy and Addenda attached to it, if any, and I agree to be bound by the policies and procedures outlined herein. I certify that I have not effected any transactions in the Company's securities or in derivative securities relating to the Company's securities, or in the securities of other companies, that violate the policies and procedures outlined herein.

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(Signature)

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(Printed Name)

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(Date)

## **ADDENDUM I**

### **ADDITIONAL LIMITATIONS APPLICABLE TO INSIDERS**

***Scope of this Addendum.*** This Addendum I to the Company's "Statement Of Company Policy: Securities Trades By Company Personnel" discusses certain restrictions imposed on Insiders' trading in Company securities. The restrictions discussed in this Addendum are in addition to those discussed in the Statement of Company Policy, which apply to all employees of the Company, including Insiders.

***Trading Windows.*** In order to protect Insiders and the Company, Insiders are prohibited by Company policy from trading in the Company's securities (except for participation in and acquisition of shares pursuant a Company sponsored Long-Term Incentive Plan), except upon receipt of the prior permission of the Company's Securities Compliance Officer. Such permission will only be given during the quarterly trading windows described below:

- ***Quarterly Trading Windows:*** Quarterly trading windows commence twenty-four (24) hours following the issuance of a press release regarding the Company's operating results for the immediately preceding fiscal quarter (or, in the case of the Company's fourth fiscal quarter, the Company's annual operating results) and remain open for a period ending fifteen (15) days prior to end of the fiscal quarter. As an example, if the Company announces its second quarter earnings (the period ending December 31) on January 25, the trading window would begin no earlier than January 26. The last day to trade in such trading window would be March 16, which is fifteen (15) days prior to the end of the third quarter. Trades will not be permitted again until twenty-four (24) hours after the Company publicly releases its third quarter results.
- ***Exceptions:*** Quarterly trading windows may, close early or not open at all if, in the opinion of the Company's Securities Compliance Officer and Chief Executive Officer, material information exists that has not been disclosed to the public.

***Pre-Clearance of Securities Transactions.*** The Sarbanes-Oxley Act contains a requirement that Insiders file a Form 4 with the Securities and Exchange Commission within two days after effecting all transactions in Company securities. Any late or delinquent Form 4 filings are required to be reported in our annual report to our limited partners in a separate captioned section, naming names. The SEC has been granted broad authority by the Sarbanes-Oxley Act to seek "any equitable relief that may be appropriate or necessary for the benefit of investors" for violations of any provisions of the securities laws.

To ensure compliance with these accelerated reporting requirements and to help prevent in advance any inadvertent violations of the federal securities laws, and to avoid even the

appearance of trading on inside information, the Company has implemented the following policy with respect to all trades in Company securities by Insiders:

### **1. Mandatory Pre-clearance Procedures**

Insiders, together with their family members, may not engage in any transaction involving the Company's securities (including a stock plan transaction such as an option exercise, a gift, a loan or pledge or hedge, a contribution to a trust, or any other transfer) without first obtaining pre-clearance of the transaction from the Company's Securities Compliance Officer. A request for pre-clearance should be submitted to the Securities Compliance Officer at least two days in advance of the proposed transaction. The Securities Compliance Officer will then determine whether the transaction may proceed and, if so, assist in complying with the reporting requirements of applicable securities laws.

### **2. Broker Interface Procedures**

The accelerated reporting of transactions will require tight interface with brokers handling transactions for Company Insiders. A knowledgeable, alert broker can act as a gatekeeper, helping ensure compliance with pre-clearance procedures and helping prevent inadvertent violations.

The Company has established a coordinated procedure with \_\_\_\_\_ of \_\_\_\_\_ brokerage firm. Each Insider is encouraged (but not required) to use \_\_\_\_\_ as a broker for Company securities transactions and encouraged (but not required) to enter all Company securities transactions through him/her. (He/She will not seek to reinvest the funds from your Company securities transactions or seek any other securities business from Insiders.)

Whether an Insider utilizes \_\_\_\_\_ or another broker, the Company requires that each Insider and each Insider's broker sign the Broker Instruction/Representation attached as Schedule I, which imposes two requirements on the broker handling each transaction in Company securities:

- (1) Not to enter any order without:
  - (a) first verifying with the Company that the transaction has been pre-cleared;
  - (b) complying with the brokerage firm's compliance procedures (*e.g.*, Rule 144); and
- (2) To report immediately to the Company via telephone and in writing (via e-mail or fax) the details of every transaction involving Company securities, including gifts, transfers and pledges.

***Additional Limitations.*** In addition, the following are official policies of the Company:

- *Short-Swing Sales.* No Insider may trade in securities of the Company on a short-term basis. As a general rule, (i) Company securities purchased must be held for a minimum of six months before sale, unless the security is subject to forced sale, *e.g.*, as a consequence of a merger or acquisition, and (ii) if Company securities are sold, no additional securities may be purchased for a minimum of six months. However, Insiders who are not considered to be “affiliates” may apply to the Company (through the Company’s Securities Compliance Officer) for a waiver under special circumstances.
- *Purchases on Margin.* No Insider may make purchases of the Company’s securities on margin.
- *Short Sales.* A short sale is the sale of securities not owned by the seller, or if owned, not delivered (the so-called short sale “against-the-box”), which involves the borrowing of shares by the seller’s broker for the account of the seller and delivery of the borrowed shares to the buyer. At some point in the future, the short seller must purchase shares to cover the short position. Because the short seller hopes to purchase at a price lower than the price at which the short sale was made, a short seller expects the stock to decline in market value from present levels. Since short sales can depress the price of the Company’s securities, no Insider may make short sales of the Company’s securities.
- *Put or Call Options.* No Insider may buy or sell put options or call options on the Company’s securities without having first obtained written permission from the Company’s Chief Executive Officer and its Securities Compliance Officer.

**Schedule I**

**BROKER INSTRUCTION/REPRESENTATION**

**TO:** [Broker]  
**FROM:** [Your Name]  
**RE:** Pre-clearance Procedure for All Transactions, Including Transfers, etc. Involving Securities of Sharps Compliance, Inc. (the "Company")

In order to comply with the two-day filing requirements for officers and directors and others (including family members) subject to Section 16 of the Securities Exchange Act of 1934, our Company has instituted new compliance procedures that require you to sign this form and immediately return it to the Company.

1. I authorize the Company and you, my securities broker, to implement procedures for reporting to the Company all my transactions (including those of my family members and other entities attributable to me under Section 16) involving Company securities, including transfers such as gifts, pledges, hedges, etc., and other changes in beneficial ownership.

2. Prior to executing any instruction from me involving Company securities, you agree that you will verify with the Company that my proposed order or instruction has been approved. You also agree to adhere to your brokerage firm's Rule 144 procedures and all other relevant compliance procedures.

3. Immediately upon execution of any transaction or instruction involving Company securities, you agree to provide all the details of the transaction to the Company, both by telephone and in writing (by fax or e-mail).

Thank you.

I agree to comply with all the above procedures.

\_\_\_\_\_  
by Broker \_\_\_\_\_  
PRINT Name

Brokerage Firm Name  
Address  
Phone  
e-Mail  
Fax No.

By Branch Manager  
Print Name

Please immediately sign and fax this form to \_\_\_\_\_ at \_\_\_\_\_, and please mail a copy to: