Operator: Welcome to the Sharps Compliance Corporation First Quarter Fiscal Year 2011 Financial Results Teleconference.

At this time all participants are in a listen-only mode. A brief question and answer session will follow the formal presentation. If anyone should require operator assistance during the conference please press star, zero on your telephone keypad. As a reminder this conference is being recorded.

It is now my pleasure to introduce your host, Ms. Deborah Pawlowski, Investor Relations for Sharps Compliance Inc. Thank you. Ms. Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Julie, and good morning, everyone. We appreciate your participation in Sharps' First Quarter Fiscal Year 2011 Earnings Conference Call. You should have a copy of the news release that detailed our financial results that was released earlier this morning, but if you don't, you can obtain a copy from the company's website at www.sharpsinc.com.

With me here today on the call are the company's CEO and President, David Tusa; and Diana Diaz, Vice President and Chief Financial Officer. David and Diana will provide formal remarks after which we will open it up for questions. If you are listening via the webcast you have the ability to submit questions via the internet as well.

As you are aware, we may make forward-looking statements both during the call and in the following question-and-answer session. These forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties, as well as other factors that could cause the actual results to differ materially from what we discuss here today. These risks and uncertainties are available for you in the press release itself, as well as with the company's filings with the Securities and Exchange Commission. Those filings can be found also on our website as well as the SEC's website, SEC.gov.

So with that, let me turn the call over to David to begin the review and discussion. David?

David Tusa: Thank you, Debbie, and welcome, everyone to our First Quarter Fiscal Year 2011 Earnings Conference Call. In the First Quarter of Fiscal Year 2011 we continue to make progress in the development and penetration of what we believe to be a $2 billion market opportunity for the proper disposal of medical wastes and unused medications generated outside of the hospital and large health care facility setting. Our well-recognized line of solutions are seen for value added offering by our customers including government agencies, major retail pharmacy chains, professional offices, clinics, home health care patients and other generators of medical waste outside the hospital and large health care setting. Additionally, I believe we are leading the country in the education of medical waste generators, many of which operate in a regulated setting about our cost effective in medical waste management solutions that we believe reduce costs by approximately 50 percent when compared to the traditional pickup service.

Revenue the first quarter of fiscal year 2011 of $5.2 million was $10.2 million lower than the prior year first quarter revenue of $15.4 million. When excluding the revenue from the U.S. government contract of about $400,000 in the current quarter and $11 million made in the prior year quarter, revenue increased at a rate of 10 percent. This increase was driven by growth in the billings in the retail home health care and professional markets for the same period and excluding the U.S. government contract customer billings grew year-over-year at a 16 percent level.

The retail market buildings grew 22% reflecting the impact of our flu shot related business. As many of you are aware, we are the leading provider of medical waste solutions for flu shots administered in a retail setting. We see a strong flu shot season and business this year for two reasons, two primary reasons, the increase in the quantity of flu shot vaccines manufactured and the continued increase in the percentage of flu shots expected to be administered in the retail or alternate type setting. The retail setting is not only very cost effective for the provider and patient but it also drives foot traffic in the stores.

The growth of the retail market also included about $550,000 billings related to the initial order of the Sharps' TakeAway ™ system by one of the country's largest retail pharmacy chains as part of their Safe Medication Disposal Program. When excluding the impact of this $550,000 order billings in the retail market were actually down a bit year-over-year and this has resulted two items, first the flu shot season orders started sooner than what we've seen in the past with the acceleration of billings to the fourth quarter of fiscal year 2010 which is a quarter ending June 30th, 2010. And also, based on our discussions with major retailers and pharmacies, it looks like the administration of flu shots are occurring a bit later this year and this is because we've not really experienced yet significant cold weather.

So looking forward, we see about a million dollars in billings in the December quarter related to the flu shot business with an opportunity to come in higher. Additionally the retail market in the December 2010 quarter could be positively impacted by additional orders for theTakeAway unused medication solution sold to the retail market.

Total health care billings were up 24% over the prior year, this was due to improved sales by our home health care related distributors addressing the growing trend of patient volume in home health care industry.

Our professional market billings grew 12% in the first quarter of fiscal year 2011 but we expect growth to accelerate from here. The increase was a direct result of the companies targeted telemarketing activities which offset our distributor network sale which were down based on the timing of orders. We believe we have made a measurable headway with our inside sales efforts to educate the estimated 800,000 professional offices and similar facilities across the country which generates smaller quantities of medical waste in a regulated environment. About our cost effective solution and convenient alternative to the traditional pickup service which again which we believe we save cost to our customers at the level of about 50 percent versus the pickup service.

We added three inside sales personnel the first quarter and now we have a group of 11 inside sales personnel calling on targeted professional offices, smaller independent home health care agencies, assisted living facilities and other facilities. Our expectations are that each representative after a three to six month ramp up period should be able to generate first year revenue of about $200,000, including re-orders. Importantly, they will develop a base of recurring revenue as they continue to attract new customers.

Now during the first quarter of 2011 the impact sales team contributed $123,000 in professional market billing compared to $10,000 of the prior year and $48,000 for the trailing quarter. This performance exceeded our internal expectation and just to show the further progress of the group that we expect billings from the inside sales group of about $60,000 in just the month of October alone.

We also believe our inside sales team is uncovering opportunities that would not otherwise be identified through our direct sales efforts. It's our plan to continue to grow this team and expect to add more sales personnel as we continue to progress with the effort.

In summary, we believe the professional market billings, which do include both inside sales and the distributor network, have the potential to increase to as much as three million for the fiscal year 2011. Now this compares to about $1.6 million generated in fiscal year 2010, so we see that this professional market billing almost doubling year-over-year, fiscal year 2011 versus 2010. Outside the large U.S. government agency contract, government market billings for the first quarter were about $220,000 and this is attributable to the VA pilot as well as medication disposal programs in Iowa and North Dakota and other community programs.

As you are all aware we launched a pilot program with the V.A. in February of 2010. The pilot originally involved select V.A. medical centers in one five-state region and they refer to these regions as a VISN. In this case we provided both our Sharps recovery system and a TakeAway™ solution to their patients. Since its original launch the pilot program has expanded to eight other geographic regions within the V.A. which encompasses 22 states plus the District of Columbia. We continue to receive very positive feedback from the V.A. and its patients regarding the pilot program. Under the pilot the V.A. purchases in limited supply, again both our Sharps Recovery and TakeAway™ unused medications global solutions, for each of the VISN's that are currently involved in the pilot. Not only has this contributed to our core government billings but more importantly the V.A. continues to analyze the data from each of the VISN's for participation levels as well as patient feedback. This process will continue with the recently added regions and although it's very difficult to predict timing we are encouraged by the data and the results to date from the programs and believe the ultimate rollout will be seen by the V.A. as a very worthwhile initiative.

In the end the V.A. Pharmacy Search Division provides care to over five and a half million veterans each year to a total of 23 geographic regions or VISN's. The relationship has a potential to generate a significant revenue opportunity for the company should the V.A. decide to rollout the program to all V.A. centers and patients. Again a rollout would establish our V.A. as a second major government agency establishing the company solutions as to recognized standard of care for patients which generate medical waste or unused medications outside the hospital setting and we did experience reduced billings in the pharmaceutical market due to the timing of customers' orders and the discontinuance of one of the company's six major patient support programs. We believe the discontinuance of the program was as a result of a cost saving initiative by the customer. And although we are disappointed in the length of the sales cycle in the pharmaceutical manufacturer market, we have seen new sales activity driven by pharmaceutical manufacturers' interest in our solution as a differentiator and by managed secure organizations that are looking to improve patient care and interaction.

Now I'm sure as many of you have seen in a release, the company was notified late last week by the United States Postal Service of their plans to continue to develop new and specific protocols to prevent disposal of non-controlled prescription drugs by mail. In the meantime the

USPS has asked us to suspend the future sale of our envelopes associated with the TakeAway™ program which was operated under an agreement with the USPS. We're currently involved in very positive discussions with the USPS and hope to be in a position to resume shipments of the USPS envelopes very soon. The situation does not impact the larger 10 and 20 gallon TakeAway™ box solutions or USPS transported TakeAway™ envelopes already in the supply chain.

Now in the interim, as we work with the USPS to develop the enhanced protocols, we've developed a new unused patient medication line of solutions with an alternative logistics provider. We will announce very soon a new line of TakeAway™ envelope solutions which we expect will include additional product enhancements for greater flexibility and choices for our customers. And although we believe our customers will react positively to the new front line of solutions, we could experience short term delays in the sale of our TakeAway™ envelope solutions. We are in discussions with our major customers as well as perspective customers regarding the new line of solutions and our customers have been very pleased with our TakeAway™ envelope solution and look forward to our new line of TakeAway™ solution.

As many of you have seen in the news, the Secure and Responsible Drug Disposal Act of 2010 was signed into law in October of 2010. The act allows a patient who has lawfully obtained a controlled substance to deliver it to another authorized person for disposal. Although our program to date has been specifically focused on non-controlled, unused prescription medications, we believe as regulations and protocols are developed to meet the requirements of the new law that ultimately our solution could potentially serve to further meet the needs of the country in addressing the challenges of prescription drugs entering into our water systems or being misused.

Our efforts are focused on growing our channels to market which are as follows: direct sales, inside sales and internet marketing and e-commerce. We recently supplemented our direct sales team with the services of a specialized government contract sales organization which we believe could accelerate government-related recurring revenue opportunities and importantly, they are on a performance based contract, so they win if we win. So far the contract sales organization has identified new opportunities with a number of agencies as well as managed care. We hope to see results from this new initiative as early as the March 2011 quarter. In addition, we recently launched an initiative to significantly enhance our internet presence through a new website as well as much more sophisticated e-commerce capabilities which we expect to launch by the end of fiscal year 2011, which is June 30, 2011.

Our opportunity pipeline remains very robust. We are patiently continuing our conversations with our current large U.S. government customers including the V.A. as well as other government agencies as they evaluate the expansion of our current programs, or they initiate new ones based upon the successes we've had to date.

We're also in conversations with many of the 30,000 U.S. retail pharmacies about providing their customers with a solution for unused medications. And as a concern over the improper use and disposal of unused medications and used syringes grows throughout the nation, we're broaching the subject with several managed care organizations and pharmaceutical manufacturers regarding patient support, unused medication and other similar programs.

With that I'd like to turn over to Diana who will provide more detail on the financial. Diana?

Diana Diaz: Gross margins for the first quarter of fiscal year 2011, was 35%. 35% was adversely impacted due to lower volume and the higher cost structure from investments made to expand and upgrade the company's infrastructure. Compared with the trailing quarter ended June 30, 2010, gross margin actually improved 520 basis points on higher volume. We believe the infrastructure expenditures made over the past year are very important to positioning the company for future growth and as a matter of fact, we believe we have the infrastructure in place to facilitate another large U.S. government program as well as two to three times our current core business.

The GAAP adjustment, which is a difference between customer billings and revenue recognized, was a negative $503,000 for the first quarter of fiscal year 2011, consistent with the higher level of billings compared to the trailing quarter. Sales General Administrative expenses or SG&A for the first quarter of $2.4 million was about 31% higher than the prior year amount but about 11% lower than the trailing sequential quarter. Included in this quarter was a special charge of $570,000 related to the planned retirement of the company's former CEO. The special charge included the non-cash portion of $73,000 related to the acceleration of unvested stock options. Unless we flex higher for targeted sales and marketing activities, SG&A expense for fiscal 2011 should be about $9.6 million or about $2.4 million per quarter.

Our total headcount increased from 27 to 68 over the past year, an increase in personnel of 21. Of this increase, two are operations and treatment facilities related personnel additions, and 16 are sales and marketing related additions. This brings the sales and marketing headcount level to 29. Of that 29, 11 are direct sales persons, 11 are the inside sales group and seven are marketing and sales support personnel. We believe the increase in sales and marketing in the way of personnel and related expenditures to be a critical element of the success of landing more opportunities in our key markets. As David mentioned earlier, we are pleased with the success we are seeing from our inside sales initiative. Based on our internal models and at the current staffing levels we expect the insides sales initiative to achieve break-even results sometime in the third quarter of fiscal year 2011, which was the quarter ended March 31, 2011.

Operating loss for the first quarter of fiscal year 2011 ~~there~~ was $1.2 million compared with operating income of $9 million for the prior year's first quarter and an operating loss of $1.6 million for the trailing quarter ended June 30, 2010. Our fiscal year 2011 first quarter the company generated a net loss per diluted share of $0.05 versus net income of $0.40 per diluted share for the corresponding period of the prior year. The $0.05 loss per diluted share for the first quarter included a special charge of $0.02 per diluted share related to the retirement of our former CEO.

Our balance sheet remains very strong with about $20 million in cash and $21 million of working capital at September 30th, 2010. We have no debt and a $5 million bank line of credit. Based on the current level of infrastructure, including the SG&A expense, we expect breakeven results consistent with quarterly revenue of about $6 million to $6.5 million. A similar closing of just a few of our larger sales opportunities we believe that we should achieve or exceed these revenue levels within fiscal year 2011 and therefore return to profitability. David?

David Tusa: Thanks Diana. Before I open it up for questions, I want to address the street sweeper website and associated article published on the 14th of this month. We believe that the motivations of this group are quite obvious and the motivations are not in the best long term interest of the company or its shareholders, therefore we don't believe we should dignify the article with a formal response. But because we believe the intent of the article may be related to potential stock manipulation, we want everyone to know that we did file a complaint with the Securities and Exchange Commission. I want to reiterate too, that we operate our business under the highest ethical standards. Our focus is on building value, defining a multi-billion dollar market opportunity where we believe our creative solutions can both serve our customers well and also help to improve the safety of our citizens and the environment.

So with that Operator, we can go ahead and open it up for questions.

Operator: Thank you. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in a question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star key. One moment while we poll for questions.

Thank you. Our first question is coming from Joe Munda with Sidoti and Company. Please proceed with your question.

Joe Munda: Hey Diana, hey David.

David Tusa: Hi Joe, how are you doing?

Joe Munda: I just had a few quick questions. Could you talk a little bit about the U.S. Postal Service suspension of the TakeAway™ product, what is the reasoning behind it by the U.S. Postal Service?

David Tusa: Well Joe, you know we were a bit surprised. We've had a long term relationship with the USPS and they've seen this program as one that's been very, very successful and from correspondence received, they want to implement some new protocols with respect to the envelope program and it could be related to those. There are many things changing in the environment right now. For instance, this new law that was signed that addresses control and of course our program does not address controlled substance, we specifically exclude controlled substances, but as they look at that, they're potentially looking at the packaging.

Now again they're giving us comments specific to our program that does not include controlled substances so it may be a matter of packaging, it may be a matter of protocols. We're in discussions with them every day and we hope to be, it should be resolved relatively soon but, you know our customers love this, they love what we're doing with the TakeAway™. And we have an alternative logistics provider and we're going to provide some information next week on a, actually an enhanced program and a program that will probably include more, a larger line of solutions related to unused medication. So we've talked with our customers about it and they understand, they're aware and they look forward to learning more about the new solution offering, at the same time understanding that we could work through the issues with USPS and have that solution as well.

So I think from a long term perspective what we're probably going to have is an alternate logistics provider solution as well as the USPS solution and let our customers be able to chose which one works best for them.

Joe Munda: So before this act got signed into law the U.S. Postal Service had agreed on these envelopes correct?

David Tusa: Yes.

Joe Munda: And then this law gets signed and then they take a step back and want to take a look at this more clearly?

David Tusa: No, we've had a contractual relationship with the USPS for quite awhile on this program and we don't know what the protocols that they're looking for are. I could speculate that there's a lot changing in its environment, including this new law signed. They could be looking at some enhanced protocols because it could be not related to it at all, they could be just looking at enhancing the protocols, maybe additional bar coding, maybe additional packaging just in light of a review of the programs. So it may or may not even be related to the larger law. We'll have more data and more information here shortly.

Joe Munda: Do you see any potential of the same issues going to a different logistics provider? Are they going to come up with the same type of explanation of the U.S. Postal Service?

David Tusa: No, we have the assurances of the alternative solutions provider. You know with alternative solutions providers we move unused medications right now with our 10 and 20 gallon boxes everyday and so they see no problems with it. As a matter of fact we've already shared with them some packaging and a design of a new line of solutions what they signed off on. And again we'll put a release out next week that talks more about it. But at the end of the day you know we're going to end up with enhanced and a larger line of solution offerings for our customers.

Joe Munda: Now if you go to this new logistics provider, is the envelope cost going to go up because you're not using the U.S. Postal Service and you're going to a different provider? Are the costs going to rise?

David Tusa: It could potentially on the small envelope, we're working on some additional sizes and some additional lines where it really wouldn't impact it but on the smaller one it has the potential to increase it a bit. But we're working through that with our customers right now but we think that, as they do, that we will work through this and we will continue the program whether it's through USPS, the alternative logistics provider or ultimately potentially both.

Joe Munda: All right, thanks guys, I'll let somebody else jump in.

David Tusa: All right. Thanks Joe.

Operator: Thank you. Our next question is coming from Ryan Daniels from William Blair. Please proceed with your question.

Ryan Daniels: Yeah David, not to beat a dead horse on the USPS announcement but I'm curious if your impression is that they could potentially make a yes or no decision, that they don't want pharma going through the mail or do you think it's really just more focused on a different type of packaging to make them more secure, things of that nature. Are they still generally in support of the program?

David Tusa: Ryan, that's a good question. They're very much in support of the program; we don't expect a yes or no. What we've been told is that they're going to advise us of additional protocols, packaging that they would like to see implemented with the program. They continue to talk positively about the program and how they want this to proceed and move forward.

Ryan Daniels: Gotcha, that's helpful. Any impression on how long it could take? I know given that you've only been a week in discussions it's probably impossible but, maybe just your impression from working with them in the past. Is this kind of a one quarter phenomena, is it something that could you know take a year to resolve, just any color you have there.

David Tusa: Well I'll just tell you based on our input from them that they told us that they thought that we could hopefully get this resolved in a matter of weeks.

Ryan Daniels: Okay.

David Tusa: And, but again I can't guarantee that. It is a government agency and it is, as you know, something that has to be worked through. But Ryan, the most important thing here is that this program has just been incredibly successful with not only the large retail pharmacy that we do business with, but also with the V.A. The key here is that we're dynamic and we're flexible and we're going to have an alternative solution just in case that there's a significant delay with the USPS. As a matter of fact I've shared the different solution lines with our large government agency that's looking at this and they were quite pleased that we would have you know a new line and an an expanded line. So we're going to take this as an opportunity to expand the line and have multiple logistical providers because the solution is well received and we think that if something has really had a significant impact that could really change the country.

Ryan Daniels: Sure. Well that's helpful color; it seems pretty much like a non-event, like I think that's good, and then just a couple more quick ones. On the government CSO relationship you have on the sales front, I think you mentioned that its more performance based. Does that mean that there's actually no cost? So that if they don't generate sales you won't have any cost, it's only when they're actually producing revenue that you'll incur some of the expenses there?

David Tusa: Ryan, they're likely to be a hybrid. There will be some fixed costs that we will incur. What they did is they placed a portion of their fee at risk, meaning they are in the percentage of the sales that they generate but we've been very impressed. The contract sales organization already works in the government sector and they sell many types of health care and pharmaceutical related solutions to the government agency. So they're leveraging those relationships to fill the Sharps Recovery System as well as the TakeAway™. We think it's going to be positive based on the response that we've seen and the sales reports that we've seen today and again I think it's another channel that we can use to get into government sectors and areas that we potentially may not have been able to get to before.

Ryan Daniels: Gotcha, that's helpful too and then I guess one quick one on the Walgreen's initiative. I know you mentioned there's about $550,000 in the quarter in billings for that and I'm curious what's your impression on how long that will provide them with the goods and I know you probably don't have enough data yet to show how many are getting sold per week but on the original contract you probably have some intention of maybe this is six months supply, a quarter supply, a year's supply. Do you have any thoughts on that?

David Tusa: Sure. Let me just say this with respect to the Walgreen's program, we've already received subsequent to the initial order. We've already received some orders for reorder, replenishment, we've already seen that and you know we're working with them with a launch date that could result in more orders as early as January. So you know the key to the program is the pull through by the consumers and they've been pleased, we've been pleased so I think that we have the opportunity again to see potential in the March quarter.

Ryan Daniels: Okay great and then the final question I have is just a little bit around the direct sales force. And I think in the past you've mentioned that a lot of times you'll make an outbound call and find a small physicians office or dentist or vet office and they like the idea, but also under contract for some period, and I'm curious, you know if you guys are creating a database to do callbacks when those contracts are near expiration and then maybe more importantly, if that is the case what your hit rate is on those callbacks after kind of the initial contract with the traditional provider expires.

David Tusa: That's a really good question. Yes we are doing that. We find that you could have as many as 50 or 60% of the professional offices are currently under some sort of a contract. We do take information and place it into a database for callback purposes and we're doing that now. We're literally involved in that right now so I don't have any data on the hit rate but if it's something that's consistent with what we're doing right now with customers that don't have a contract, then we're finding a relatively high hit rate, 10, 20, 25% hit rate, again assuming they have no contract.

Ryan Daniels: All right. Thanks a lot guys.

Operator: Thank you. Our next question is coming from Winston Black from PBS Capital. Please proceed with your question, please.

Winston Black: I appreciate the question. So the $550,000, was that associated with the Walgreen's announcement recently? I just want to be clear and make sure I understand what's going on.

David Tusa: That's correct.

Winston Black: Okay and can you help me understand the recognition in light of the USPS situation.

David Tusa: I'm sorry, the recognition, the revenue recognition?

Winston Black: Right. Just in terms of being able to recognize it versus the USPS not allowing you to ship.

David Tusa: No, the USPS development doesn't impact anything that's already in the supply chain and the product was already sent out in late August or early September. The way it works is that we defer a portion of that revenue based upon when the units actually come back to our facility. So you'll see that $550,000 from a revenue standpoint you'll see some of it, probably about $100,000 of it in the September quarter, hence the GAAP adjustment and you'll see some in the December and the March quarter based on when the units come back.

Winston Black: Okay. That's helpful. Thank you. In terms of the the USPS situation, how does that affect your conversation with other large pharmacy chains or other pharmacies regarding this program?

David Tusa: Well, we've already sold a couple of other pharmacy chains, the smaller pharmacy chains, they're on a program similar to the Walgreen's program now. So we have made strides in expanding the programs outside the first large customer. We're talking with them, we're sharing with them the alternative solution and we're, literally as we speak, we're finalizing working out the pricing on the new solution which we're going to share with them very shortly. So the interest continues to be very strong, we're going to work through the situation, we're going to have multiple lines of solution offerings and we're going to make sure that the pricing is right so that we can continue their interest in the program going forward.

Winston Black: Okay, great and last question and to follow up on some questions answered earlier, can you talk about the margins of this product under the shipping via USPS or your alternative logistics provider?

David Tusa: Again with the smaller envelope product the margin could be 10 to 15 basis points lower with the alternative solutions provider but again we're going to have an enhanced line and other size solutions which will have margins consistent with what we're generating with our current USPS product.

Winston Black: Okay, appreciate answering the questions.

Operator: Thank you. Our next question is coming from Kevin Steinke from Barrington Research . Proceed with your question.

Kevin Steinke: Good morning. I just wanted to ask about an initiative you talked about last quarter in the professional market. You talked about how you had some recent discussions with your largest distributor in the professional market and I'm just wondering if there are any initiatives ongoing there and if you see them contributing to the growth you're expecting this year?

David Tusa: Yes Kevin, good afternoon. That's a good question. We've had very positive sessions with our major distributor on the professional market side and I think you're going to start to see some of the impact of that in the December quarter. It looks like the October start is strong with respect to that distributor network, but we could see some positive impact in December. So what you'd like to see and what our vision is in achieving that three million of revenue that I mentioned earlier for the professional market, that's a combination of continued growth on the distributor side as well as the launching and the growth of our inside sales campaign. So we expect to see some positive impact in that as early as the December quarter.

Kevin Steinke: Okay great that's helpful and just following up on what you talked about in your press release today, the enhanced e-commerce capabilities that you hope to rollout by the end of fiscal 2011, just wondering if you could give a little more color what you hope to accomplish with that, what markets you could potentially augment with that initiative.

David Tusa: We find that the website and the internet to be an incredible marketing opportunity for us. We actually received significant inquiries, not only small but large yields just via our website presence and what we want to do is we want to enhance that, we want to make it much easier for a perspective customer when they come into the website to be pushed to the appropriate section as soon as possible. So if you're a pharmaceutical manufacturer here's where your interest is going to be, if you're a doctor's office here's where your interest is going to be and you move there quickly. And the other thing we've enhanced is the e-commerce capabilities to more quickly and more efficiently generate an order through the website and our website is good, it does a pretty good job, e-commerce capabilities are somewhat limited, but we see this as a key to our marketing efforts going forward because as this industry continues to grow, as we continue to educate the marketplace on the solution offerings, folks go on that computer and they go to Google and they look for medical waste solutions or mail- in solutions and we want to make sure that they get to our website and we that we can either facilitate a follow up call or generate an order right then and there.

Kevin Steinke: Right, great that makes sense. One last question, something else you talked about last quarter, you talked about discussions with hazardous waste solution providers and potentially getting some business there. I'm just wondering if there's any update on that if you're still having discussions or what sort of opportunities you see in that market. Thanks.

David Tusa: Yes Kevin, we continue to make progress with the alliance we have with the hazardous waste company. We had one relatively significant deal somewhere in the two to $300,000 range that we think has potential to hit either in December or January. But what we're doing and it's working extremely well, we've entered into a number of our large customers so they're actually providing through us, just some of our large customers, hazardous waste services that would have otherwise been outsourced to another provider. What you find with the large customers if they have an opportunity to work with one vendor and that works best for them. So if these work well we hope to be able to report in the next quarter or two a relatively large deal that was a direct result of that relationship.

Kevin Steinke: Great. Thanks that's helpful. That's all I have.

David Tusa: Thanks Kevin.

Operator: Thank you. Our next question is coming from George Walsh with Gilford Securities. Please proceed with your question.

George Walsh: Good morning.

David Tusa: Good morning George. How are you?

George Walsh: Good. David, I wonder if you can speak to the marketing efforts with Rx TakeAway, insurance as the focus originally was on the pharmaceutical companies and then this Walgreen's initiative came through and how do you see that developing? Is it separate paths with retailers and pharmaceutical companies or there's some combination thereof where there's maybe the pharmaceuticals work through the retailers or what kind of development do you see as your marketing and developing it?

David Tusa: Well, first of all George with respect to the retail market we've done business with the large retail pharmacies for years through the sale of our recovery systems with the flu shot and other business so we have been reaching out to them over the last year about the RxTakeAway. So the business that we're getting with the large retail pharmacies is directly related to the existing relationship we have with them; we're a proven and trusted vendor and that's how we've been able to land the deals with the retail pharmacy. Now on the other side of the shop what we think potentially could make sense is the potential for managed care to step in and we're having discussions with not only pharmaceutical manufacturers but with managed care where they may step in and look at this as a solution that may make sense to be provided to their insurers. So there are some discussions going on there that we think could be positive and the other thing is again the government sector, and not only the V.A. but other government sectors, that look at this as a way to change the standard of care. So you can see the government sector, you can see managed care pharmaceutical and of course you've already seen the progress on the retail side.

George Walsh: Okay. Speaking of the V.A. is there anything you can share in terms and perhaps data points and participation and/or elaborate maybe a bit more on how the V.A. is analyzing it and how they come to a decision point on expansion?

David Tusa: We had some discussions with them actually this week and what they're doing is with the new VISN's that have come online recently, again we started with one and we're working with actually eight right now, but what they're looking at is they want to make sure that we have the success with the new VISN's as we have with the original VISN's and that's what they're analyzing right now. They are looking for participation levels, they're looking for how much of the unused medications they're taking out of the file away stream and they're looking for the continued positive response from the patient. So they're doing the right thing, they're making sure that they solicit as much positive feedback from as many VISN's as they possibly can as they look at making decisions towards the ultimate rollout. Now of course timing, as I've always said, is extremely, extremely difficult to predict but we've not seen or heard anything that wouldn't lead us to believe that they wouldn't see this as very positive and the patients wouldn't see it as very positive as well.

George Walsh: Okay. Anything you can say about the developments with the government and future potential of the emergency preparedness market?

David Tusa: Sure. We continue to work with our existing large government contract customer and they continue to show significant interest in the TakeAway solution. As a matter of fact I was working with them this week on sharing with them our new line of TakeAway solutions and how it may even better fit their program and what we had presented previously so they're very interested in that because again in an emergency there are many, many drugs that will be handed out potentially to patients and they want to make sure those patients or those families of patients or maybe a facility has a vehicle to properly dispose of of the unused medications and again that's probably the, you know if I had to guess that would probably occur before just a general expansion of the program, you know the program right now which is a great program, it's been very well received but there's always the opportunity to expand it so we can facilitate covering many more Americans than what it currently covers.

George Walsh: And is the nature of that market that you think there is ample capacity to understand the penetration is pretty low, that there's capacity for orders as opposed to just waiting for an emergency to respond to?

David Tusa: Right, exactly and then when you look at a program the way you look at it is you look at it from a readiness standpoint and how ready are you and what percentage of the population that best you can capture with this program. So it's been in place, it's been very successful, we've been reviewed and audited many, many times by the government agencies and I think as time goes by and we have the opportunity to work with them to potentially expand and to say 'okay great the program is in place, it's working well, we've had it in place for a couple of years now, let's talk about the potential to expand it to cover more Americans'.

George Walsh: Okay. All right, anything else with the State, just as a last question?

David Tusa: No, everything that we've done really so far has been at a Federal level and anything that we've seen as a potential or revenue potential has really been at the Federal level and not really at the States. It's a tough time for the States right now with budget concerns and what they're going through. Now I will say this, the contract sales organization has helped us generate opportunities in a number of government agencies where we have not yet made significant progress. So I'd be just as pleased to be able to report over the next couple of quarters the increase in the government sector billings directly as a result of a new direct sales initiative.

George Walsh: Okay great, thanks a lot David.

David Tusa: Thanks George.

Operator: Thank you, I would now like to turn the call back over to David Tusa for closing comments.

David Tusa: There where a couple of questions that came in via the web, and let me just cover those very quickly and then I'll move to the closing. One is: "Do you plan on issuing any debt in the near future," and the answer to that would be no, we're very well capitalized with about $20 million in cash and no debt. Cash is very important to our growth plans, as well as showing our customers the financial stability of the company and the next one is Sharps looking at possible acquisition opportunities, and I'll tell you this, there's no better investment in growing organically, there really isn't anyone out there doing what we're doing to the extent that we're doing, so were focused on organic growth, investing in the business, growing the business, landing the large style opportunities as well as continuing to grow our recurring revenue base of business, and that's what were focused on and we think that's the best course of action for the long term value of the stock.

In closing, I'd like to reiterate my confidence in the long term prospects of the company, and our solution offerings. Among the many opportunities that we're pursuing, it's important to know that we're working with some of the largest pharmaceutical manufacturers, managed care organizations and prominent retail pharmacies in the country. We're focused on creating greater interaction with the value added services for their patients in order to improve the patient experience and also to build their brand loyalty. In the world of brand development our current and perspective customers recognize they must work with an organization that they can trust and one that they feel is fully reliable and flexible in order to succeed in their efforts. We've developed a very strong relationship in this marketplace for quality, responsiveness and creative solutions that meet the needs of our customers and with that I appreciate everyone's support and we thank you for your participation on the call today. Thank you.

Operator: This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.