Operator: Greetings, and welcome to the Sharps Compliance Corporation's Fourth Quarter and Fiscal Year 2011 Quarterly Results Conference Call. 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, Deborah Pawlowski, IR for Sharps Compliance Corporation. Thank you Miss Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Christine and good morning everyone. We appreciate your participation in our call today. You should have a copy of the news release detailing Sharps' financial results that was put out earlier this morning. If you don't have the release, you may obtain a copy from the Company's website at sharpsinc.com. Hopefully, you also saw the release regarding our new Complete Needle product that is being sold out of Walgreens store. That release is also available on our website.

With me here today on the call are the Company's President and CEO, David P. 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 also have the ability to submit questions via the internet.

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 to you in the press release itself, as well as with the Company's filings with the Securities and Exchange Commission.

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

David P. Tusa: Thank you Debbie, and welcome everyone to our Fourth Quarter and Fiscal Year 2011 Earnings Conference Call.

Fiscal year 2011 was a year in which we refined our strategic focused, aligned resources to better address our targeted sales and marketing strategy, and increased the intensity in our efforts to capture the large market opportunities for our innovative medical waste and unused medication management solutions.

Since assuming the position as CEO in October of last year, I've been extremely pleased with the progress that we've made, impressed with the energy and focus that our group has demonstrated and wanted to express our employees' high level of excitement for the future that is being driven by the many projects and opportunities that we are addressing and closing.

Turning to the fourth quarter of fiscal year 2011, the Company generated a 21% increase in revenue over the prior year's fourth quarter. Although we're pleased with this growth and our continued progress, we believe that we can drive even higher revenue growth in fiscal year 2012. Over the past nine months, we've refocused our sales and marketing approach and resources to better align with sales opportunities in our four key markets, which are: retail; pharmaceutical manufacturer; professional; and government. Our realigned sales and marketing efforts include a more deliberate, targeted and multi-layered approach with constant promotional, sales and awareness that maximize broader market reach through the Internet and other electronic media. Many facets of our efforts are still in the early stages, which is why we believe the growth trends being demonstrated by these efforts should continue to accelerate.

Now let's take a look at each of the key markets for fiscal year 2011.

The **Retail market** continues to contribute to the recurring revenue growth of the Company led in fiscal year 2011 by the sale of our TakeAway Environmental Returns System™. This solution addresses the proper disposal of unused dispensed medications and it's been very well received by retail pharmacies across the country, including Walgreen's, Safeway, Kroger and our most recent TakeAway customer, CVS. The TakeAway line of solutions has also been very popular with the independent pharmacies, primarily through the National Community Pharmacists Association or the NCPA.

Retail billings from the offerings contributed $1.7 million in fiscal year 2011 versus about $100,000 in fiscal year 2010. The fiscal year 2011 billings includes $1.6 million in sales of our TakeAway envelopes and about $100,000 in sales of the drop-off boxes and these numbers translated into about $1.3 million in GAAP revenue after deferrals.

Of the approximate 60,000 retail pharmacies in the country, the TakeAway line of solutions is now offered in about 25,000 of these locations. Additionally, the TakeAway is offered in about 70% of the national retail chains. The first large scale offering of the TakeAway envelope was launched about 10 months ago and, to date, the reorder rate is about 35% for this particular program. And we're pleased with that level of reorder rate and believe it to be very good for a new offering sold in the retail channel where consumers are buying something that they have never paid for before.

Over the years, we've developed very strong relationships with our retail pharmacy customers based initially on our support of their flu shot and year-round injection programs, where we provide a cost-effective and convenient medical waste management solution. We followed this offering with our unique TakeAway Environmental Return System™. And expanding on these relationships, this morning we announced an innovative solution aimed at the individual self-injector, which is being offered exclusively by Walgreens through December 1st. I will talk more about the new patent-pending Complete Needle Collection & Disposal System™ offering in just a bit.

Now, our **Pharmaceutical Manufacturer market** did not experience the growth in fiscal year 2011, but we have seen a recent surge of interest in our patient support program solution offerings among pharmaceutical manufacturers as it relates to self-injectable medications. We believe manufacturers now, more than ever, are focused on product differentiation, improved interaction with patients, and creating a touch-point for individual patient follow-up that could potentially lead to improved therapy outcomes.

As proof of this, we were recently awarded patient support programs from two top-20 pharmaceutical manufacturers valued at $2 million in annual recurring revenue, and that's an aggregate between the two programs. The programs are scheduled to launch in the December quarter and should roll out over the following six- to nine-month period. Both patient support programs include the direct fulfillment of the Sharps Recovery System® to the pharmaceutical manufacturers' programs participants, which provide a proper containment, return and treatment of the needles or injection devices utilized in therapy.

Sharps proprietary Sharps Tracer™ system tracks the return of the Sharps Recovery System® by the patient to the treatment facility, and then makes available to the pharmaceutical manufacturer electronic data which assists them in monitoring medication discipline and provides them with a touch point for individual patient follow-up, which potentially could lead to better outcomes.

Now moving onto the **Professional market**, which represented a little over 10% of the total billings for the fourth quarter and fiscal year. The professional market is significant, given the estimated 800,000 doctors, dentists, vets, as well as clinics, tattoo shops and other businesses that generate smaller quantities of medical waste, including used syringes and red bag waste. We thus far have just scratched the surface of this recurring revenue opportunity, but believe our results demonstrate a growing momentum in penetrating this market.

Because of the significance of the market, compared to the more defined target base of retail pharmacies and pharmaceutical manufacturers, we are employing a several-layered combination of inside sales, web sales and multi-media marketing campaigns. Billings by channel, which is included in this release, shows that our inside and online sales channel grew 134% compared to the prior year, and 156% for the year. On average, the number of weekly orders for this channel has more than doubled from 67 in the fourth quarter of last fiscal year to 158 in this fiscal year's fourth quarter. The trend line is strong, as well, with orders up over 24% in the trailing third quarter.

What is really encouraging is that we have had an *extraordinary* response to our new website, which launched in the middle of last month. Just since this time, we've had an approximate 70% increase in weekly sales through the website. We attribute this both to promotion of the new site and to the improved functionality and the more sophisticated visual presence. If you've not seen our new site, I recommend you do so.

Our marketing campaigns are focused on educating the professional market on the significant cost and convenience advantages of using the Sharps Recovery System™ compared to the traditional medical waste pick up service.

We are now up to 13 personnel in our inside sales group and, net of attrition, we expect this to increase about 2 each quarter going forward. An interesting and very welcomed outcome of this effort is the larger dollar opportunities we have landed that may have not been discovered by our traditional field sales crew. A couple of examples include large dental chains and a clinical trials company, each of which is expected to generate over $100,000 a year in recurring revenue.

Now moving on to the **Government market**… when you exclude the large U.S. government agency contract, government market billings for fiscal year 2011 increased primarily as a result of the sale of our TakeAway System™ envelope solution in conjunction with the VA pilot. Although the project has dedicated personnel studying the potential national roll-out, it is a slow go towards final approvals. None the less, we do remain very positive regarding a potential roll-out program and the corresponding recurring revenue opportunity. As to the expansion of our existing government contract and new government opportunities, I can only tell you that we're in regular and close communication with various parties and believe they are very well worth our time and effort.

Just a quick comment on the P&L… when you exclude the special items that we incurred for the quarter, the quarterly loss has been reduced to $0.03 a share, reflecting the revenue growth and cost discipline.

Now, I hope all of you saw the joint release this morning with Walgreens regarding our new, patent-pending Complete Needle™ Collection and Disposal System. In development for over nine months, the Complete Needle™ solution is actually two offerings in one and is what we believe to be a potential break-through in providing the approximate 10 million people in the United States that legally self-inject medication a safe, convenient means for the proper containment and disposal of needles and syringes that they have to use for their medication or health management. In addition to protecting the patient, their family and community, the product is designed to reduce the amount of improperly disposed of sharps that end up in our solid waste stream and landfills through regular solid waste pick up or flushing.

So first, the self-injector can purchase the reasonably priced containment solution in the retail setting where they're currently purchasing their medications and syringes. Second, the product includes an optional disposal feature through a special United States Postal Service return label solution that protects the community, solid waste workers and the environment. More details regarding the offering can be found in the joint press release with Walgreens and also at completeneedle.com.

We believe the solution offers significant convenience as it utilizes the same delivery channel, the retail pharmacy, which the self-injector, say a diabetic, typically uses to obtain medications and needles. As a much valued benefit to the retail pharmacy, the purchase of the new offering creates an added opportunity for the consumer to receive counseling from the pharmacist involved in dispensing the medication, which could potentially lead to better outcomes and also an improved relationship between the patient and the pharmacist.

Additionally, as with many retail products, we believe there could be opportunities for participation and sponsorship of the new offering, including the optional return feature by drug and ancillary product manufacturers, which could significantly reduce the cost of the solution to the customer.

Now just one last item before I turn it over to Diana. As you know, historically the Company's sales are focused on business to business opportunities, but the Complete Needle™ Collection & Disposal System, as well as our TakeAway Environmental Return System™, deepens our market reach as it creates significant business to consumer sales opportunities, capitalizing on our well-established retail pharmacy and managed care relationships.

The excitement of our growth prospects resonate through the Company, our employees are very excited to be part of a Company taking the lead in what we believe to be a $2 billion market opportunity.

And with that, I'd like to turn it over to Diana who will cover the financials in more detail. Diana?

Diana Diaz: Good morning. Revenue in our fiscal 2011 fourth quarter was $5 million, which was approximately $900,000, or 21%, higher than the prior year. We realized recurring core revenue growth in Retail, Professional and Assisted Living markets.

Retail billings in the quarter grew 4.9% to $1.2 million over the same period in the prior year. Higher sales of our TakeAway Environmental Return System™ for unused non-controlled prescription and over the counter medications more than offset slightly lower sales in the Sharps Recovery System™ related to the timing of flu season orders.

Professional market billings for the quarter increased just over $100,000. The success of the inside and online sales efforts in this market, which increased over $200,000, or 134%, over the prior year quarter, was masked by the variability of Distributor network sales.

Sales through the Distributor network to the Professional market decreased about $60,000 from the prior year quarter but increased about $40,000 from the trailing third quarter due to the timing of orders.

As David mentioned, the Company's telemarketing and Internet marketing activities continue to perform extremely well, demonstrating increased sales order volume and generating professional market billings of $375,000 in the fourth quarter, compared with $160,000 for the prior year quarter and just over $300,000 in the trailing third quarter of fiscal 2011.

Third quarter billings under the U.S. Government contract of just over $700,000 increased over the prior year and third quarter of fiscal year 2011 due to the beginning of the second option year, which provided for higher revenue for additional maintenance services.

Outside of the large U.S. Government agency contract, Government market billings for the fourth quarter of 2011 were down to about $180,000 as a result of winding down the VA pilot program, while the broader roll-out program that David discussed earlier is being evaluated.

Assisted Living/Hospitality market billings for the fourth quarter of 2011 were up 33% to about $340,000 as a result of increased sales to existing customers as they realize growth from the aging patient population using their services, as well as an increase in our assisted-living facility customer base, in part as a result of our increased marketing activities.

Home Health Care market billings for the fourth quarter of 2011 were down 10% to $1.6 million, primarily due to the timing of orders by home health-care related distributors addressing the growing trend of patient volumes in the home health-care industry.

Other market billings were up almost $330,000 in the quarter as a result of referrals from the Company's strategic alliance with a leading hazardous waste solutions provider.

Gross margin improved to 35% for the fourth quarter of fiscal 2011 from 29% in the prior year. Gross margin improved over 410 basis points over the trailing third quarter, as a result of the mix of products sold and, to some degree, the impact of the cost savings initiative.

SG&A for the fourth quarter was relatively flat at $2.7 million compared with the same period of the prior year. To expand on David's earlier comments regarding SG&A, included in the 2011 fourth quarter SG&A expense was approximately $400,000 in unusual expenses associated with a legal settlement and severance costs. We settled a suit in which the plaintiff alleged violations of the Telephone Consumer Protection Act. Although we believe we did not violate any laws, we settled the lawsuit in the interest of avoiding additional legal costs and diverting our time and focus from growing the business.

Excluding these special items, SG&A costs decreased over $400,000, or 15%, over the fourth quarter of fiscal 2010, and decreased about $150,000, or 6%, as compared with the March 31, 2011 quarter. The decrease in SG&A cost for the fourth quarter compared with the trailing third quarter reflects the impact of the Company's cost saving initiatives implemented in December 2010 offset by increased marketing related expenses as the Company realigned its sales focus and implemented more targeted and aggressive web-based and media campaigns to augment sales. The Company expects SG&A for 2012 to be at a similar level as the current quarter, excluding the unusual fourth quarter expenses and barring the need to flex higher for additional sales and marketing programs.

Operating loss for the fourth quarter of fiscal 2011 was reduced to $600,000, excluding special items, compared with an operating loss of $1.6 million for the prior year's fourth quarter and an operating loss of $1.1 million for the trailing quarter ended March 31, 2011.

For the fiscal year 2011 fourth quarter, the Company generated a net loss per diluted share of $0.05. The fiscal 2011 fourth quarter was negatively impacted by $0.02 per diluted share due to the legal settlement and severance cost that I described earlier. Excluding these special items, fourth quarter 2011 net loss was $0.03 per diluted share, compared with a net loss of $0.07 per diluted share in the fourth quarter of fiscal 2010.

Let me provide just a quick review of our year to date results. For the year, revenue in fiscal 2011 of $19.4 million was $19.8 million lower than last year. However, if you exclude U.S. Government contract revenue of $2.1 million in the current year and $23.2 million in the prior year, revenue increased 8.5% on solid growth in the Professional, Home Health Care, Retail, Other and Assisted Living markets.

For the year, SG&A expense was $9.8 million. Excluding the special items previously mentioned, which totaled about $400,000 on a pre-tax basis, SG&A for the 2011 fiscal year was $9.4 million compared with $8.8 million for the prior year, an increase of about $600,000, or 7%, reflecting the investments in our inside and online sales activity, refocused sales and marketing efforts, and selectively managing personnel to maximize capabilities and align with our strategic focus offset by cost reductions.

For the fiscal year 2011, the Company generated net loss per diluted share of $0.20 versus net income of $0.63 per diluted share for the corresponding period of prior year. The loss for this fiscal year included a special charge of $0.02 per diluted share related to the retirement of our former CEO and $0.02 per diluted share related to the unusual expenses in the fourth quarter for the legal settlement and severance costs.

Our balance sheet remains very strong, with over $18 million in cash and $20 million in working capital at June 30, 2011. 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 to achieve break even results when quarterly revenue approaches the $6 million mark and at that level should have a gross margins of approximately 40 to 45%.

So with that, Operator, could you go ahead and open the call 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 your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you'd 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 keys. One moment please, while we poll for questions.

Thank you. Our first question is from Ryan Daniels with William Blair. Please proceed with your question.

Kristina Blaschek: Good morning, it's Kristina Blaschek for Ryan today.

David P. Tusa: Hi Kristina.

Kristina Blaschek: Hello. To start, I guess maybe we could talk a little bit more about sales to the Other category. You mentioned in your press release and prepared remarks that it was about $0.3 million in the quarter, higher as a result of referrals from an alliance with the leading hazardous waste solutions provider. Can you talk a little bit more about that relationship or any color you could share with us would be helpful?

David P. Tusa: Sure. What we find with our customers is that occasionally they have a need for hazardous waste solutions, which is something other than medical waste, so we've teamed up with a hazardous waste company and what we do is we bring them into situations where a company needs hazardous waste, and vice versa. Their hazardous waste customers sometimes have medical waste needs, which we address. So that was a $300,000 opportunity that the hazardous waste company brought to us.

Kristina Blaschek: Okay great, that's very helpful. And then… I'm moving on similarly, you talked a little bit in your prepared remarks about the reorder rate of about 35% for the TakeAway envelopes. Do you have any additional color on that and what kind of feedback you're getting from your customers on their decision to reorder or not?

David P. Tusa: Well, you know, the first program that we launched, back in I think it was in September of last year, is really the only one we think we have enough data to start to draw some conclusions, and that's what the 35% is related to. I think we really need more time to get an idea of reorder rates, program or solution wide. But that's at least one program where we were able to peg it at 35%.

Kristina Blaschek: Okay, great and how soon do you think you'll be able to get more data from the subsequent programs?

David P. Tusa: You know, I've always said, Kristina, I'd really like a couple of more quarters behind us - closer to the end of the calendar year of 2012 - so we can get some more data with respect to reorders and maybe draw a better conclusion.

Kristina Blaschek: Sure, that's helpful. And then I guess one more question if I could and then I'll get back in the queue. It sounds like a great opportunity with the Complete Needle System. Is there, or will there be, any ability for the pharma companies to track the use of the Complete Needle returns for customers using those drugs? Are you guys going to be able to track that and share that with pharma companies, or how is that going to work?

David P. Tusa: Well, it is a very innovative offering and with our Sharps Tracer system we're able to track the solutions for existing pharmaceutical manufacturer customers, so yes the solution will allow significant data tracking that we think will be helpful to manufacturers.

Kristina Blaschek: Okay, great. Thanks for all the color.

Operator: Our next question comes from Kevin Steinke with Barrington Research. Please proceed with your question.

Kevin Steinke: Good morning. Hey, I'll start off with a question about reaching breakeven when you reach a quarterly revenue run rate approaching the $6 million mark. That appears to be a subtle difference from what you were saying previously when you were saying last quarter you'd achieved breakeven at $6 million to $6.5 million. So did you slightly change when you think you'll reach breakeven because of some of these cost-saving initiatives or am I reading too much into that?

David P. Tusa: No, no, you're right on point, and that's exactly what it is. We've been, I think, very successful in reducing our cost structure, while at the same time adding sales and marketing expenditures, but that was really primarily the driver, Kevin, to change the number to about $6 million.

Kevin Steinke: Great, okay. And then the press release about the Complete Needle Collection and Disposal System, I believe it said it will be available exclusively at Walgreens until December, so does that imply that after December, you'd be looking to perhaps sell it through other retail pharmacy channels as well?

David P. Tusa: That's correct. I mean we think it has a potential to be a very popular item and one that addresses a very under-served market, the self-injecting patient, especially the diabetic, but that's exactly right. We hope to be in a position then, come early December, to be able to launch or announce more programs.

Kevin Steinke: Good, and the renewed interest in the pharmaceutical channel that you talked about… you cited some examples in terms of the pharma market wanting to show some product differentiation and have more touch-points with the patient. Do you think there are also some things that you're doing internally to kind of reinvigorate that pipeline? I know you had talked before about perhaps taking an alternative approach to the pharmaceutical market. Is that something you're doing that you think is having a benefit here?

David P. Tusa: Yes, we do, Kevin. The approach we're taking with the pharmaceutical manufacturers - and, by the way, the two programs that we announced earlier with pharma manufacturers, those are higher-end drugs through specialty pharmacy, not through the retail sector - what we're finding is… we're focusing on helping the pharmaceutical manufacturer differentiate its product from a competitor or being able to improve the relationship between them and the patient, as well as continue to collect data that may help a patient on therapy.

Kevin Steinke: Great, okay. Thanks, that's all I had for now.

David P. Tusa: Okay, thanks Kevin.

Operator: As a reminder, ladies and gentlemen, if you would like to ask a question, press star, one on your telephone keypad. If you are using a speaker phone you may need to pick up the handset before pressing the star keys.

Our next question is from Walter Schenker with MAZ Partners. Please proceed with your question.

Walter Schenker: Yes, a couple of questions. First, David you started the call by indicating that you would expect - hope, I'm not sure what the right word was - to drive a higher level of revenue growth in the coming 12-month year. Given the large government contract last year - not the one just end, the prior year - what do you view as the growth level of 2011 that you hope to be higher than?

David P. Tusa: I think you're speaking to the fiscal year 2012. You know we don't make projections, but I will say this: If you look at what we're doing and the deals we're announcing, if you look at more pharma deals with pharmaceutical manufacturers, it could generate essentially $2+ million a year in recurring revenue. We see what we're doing in the retail sector with Needle Complete. We think that could be a significant revenue opportunity. The Professional market, again, we're just scratching the surface and we think that if you look at the growth rates on what we're doing in that sector that you can extrapolate continued growth in that market. And then, of course, Government with the VA pilot, which could be significant, and $20… $30 million a year, if it was completely rolled out, could obviously substantially change the revenue perspective for the Company. And then one last thing, we're working on other government opportunities, as well, that we think could have a substantial impact on recurring revenue. So we don't provide projections, but I do think, with all of the opportunities that we have and the success that we've recently shown, that we have a chance to increase the revenue at a much higher rate.

Walter Schenker: Okay, one or two other questions… On the two pharmaceutical programs you've announced, you would hope they would be up and running at the roughly $2 million annualized rate by your fiscal fourth quarter?

David P. Tusa: Well… we would launch in the December quarter and you need roughly six months to get it running up to the full level, so it'll be the June to the September quarter of 2012.

Walter Schenker: Okay and these are multi-year contracts?

David P. Tusa: Yes, they're multi-year contracts with two top 20 pharmaceutical manufacturers.

Walter Schenker: Okay, and one last question. The addition of CVS - and I realize you don't know how it's going to sell through different pharmacies, but it's a very big chain - is likely to grow that market. How big might CVS be or… again you don't know… I'm just trying to understand what another very large chain does to that business?

David P. Tusa: Well when we talked about the CVS announcement we were talking about the launch of the TakeAway envelope.

Walter Schenker: Right, I know.

David P. Tusa: And the TakeAway envelope I think could be, obviously, a significant opportunity, just like when we launched at Walgreens. So probably the best way to think about those programs when they launch is… take the number of stores and multiply it say times 25 envelopes a store, and then multiply that by about $3 and that kind of gives you an idea of the opening volume with respect to any of these TakeAway envelope deals.

Walter Schenker: Okay, thanks a lot.

David P. Tusa: You bet.

Operator: And the next question comes from Walter Young with Thompson Davis. Please proceed with your question.

Walter Young: Hi, I'd like for you to characterize the existing capacity from a revenue standpoint. How would you describe it?

David P. Tusa: Walter, that's a good question. The way that we look at it is… we believe we could do another large government deal and we could do probably two to three X on what I'll call the core, the non-government business. And we've done that on purpose to have that capacity, because we need the facilities in place as the Company has grown. And I will tell you that it has bode well for us as we've launched a number of these projects recently. So, we think we're in good shape.

Walter Young: Thank you.

David P. Tusa: Christine, I'm going to answer this one question that came in on the Internet and the question was related to the VA pilot. The VA pilot for the most part is over. It's done as a pilot, and as we mentioned, they have dedicated personnel studying the program for potential roll-out. The second half of the question is… if so, the current fiscal issues. From our understanding, they have funds available to launch a program consistent with what we had proposed. No guarantees it's going to launch. We wouldn't be talking about it if we still didn't think it was a significant opportunity and, when we know more about it, we'll be more than happy to let everyone know.

Operator: Mr. Tusa, we have no further questions at this time. I would now like to turn the floor back to you for closing comments.

David P. Tusa: Thanks, Christine. In closing, I just want to say that I believe we're in a very unique position at a very interesting time, as the convergence of national health issues, environmental awareness, and a changing structure of our health-care system drives the need for our solutions to provide sound, cost-effective, responsible and environmentally conscious approaches to handling unused medications and medical waste.

We continue to innovate and develop solutions designed to address unmet needs in the marketplace. I hope you share our excitement and enthusiasm about the Company's growth prospects.

Thank you for your interest in the Company. We appreciate your support and participation in today's call.

Operator: Ladies and gentlemen, this concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation and have a wonderful day.