Operator: Greetings and welcome to the Sharps Compliance Incorporated Fourth Quarter Fiscal Year End 2010 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, Incorporated. Thank you. Ms. Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Melissa, and good morning, everyone. We appreciate your participation in our Fourth Quarter Fiscal Year 2010 Earnings Conference Call. You should have a copy of the news release detailing Sharps' financial results that was put out early this morning, and if you do not you can obtain a copy at the company's website, which is sharpsinc.com.

With me here today on the call are the company's President, David Tusa; and Vice President and Chief Financial Officer, Diana Diaz. Unfortunately, our Chairman and CEO, Dr. Burt Kunik could not attend today's call because of a death in the family. Therefore, David and Diana will be providing the 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. 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.

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

David Tusa: Thank you. Thank you, Debbie, and welcome, everyone to our Fourth Quarter and Fiscal Year 2010 Earnings Conference Call. As Debbie mentioned, Burt experienced a death in the family over the weekend and is not able to participate in the call today. Our thoughts are with him and his family at this time.

Before I begin, I'd like to introduce Diana Diaz, our new CFO who joined us in June. As we advance our leadership team for our anticipated growth, Diane brings with her excellent industry and professional experience and has already begun to make a positive impact on our business.

Fiscal year 2010 was a year of transformation for Sharps Compliance. We successfully completed the product build-out phase of a major US government contract, which has now shifted to the maintenance phase; we advanced our sales and marketing initiatives; we've invested in our infrastructure; and we've launched what we consider to be a first of its kind process for repurposing medical waste – something unheard of in the industry.

Our Waste Conversion Process™ transforms used needles, syringes, lancets and other medical waste we process into a new product called PELLA-DRX™, which is a clean, raw material that can be used in the manufacture of industrial resources, such as cement. The process enables us to completely eliminate the medical waste that we collect from going into a landfill. The key differentiator in our process is that it involves completely repurposing the medical waste we collect versus merely recycling of Sharps containers. This not only helps improve the environment but has the potential to drive sales growth as many customers have expressed interest in our process and how it can help them with their green initiatives and sustainability goals.

Revenue in the fourth quarter of the fiscal year 2010 of $4.2 million was $2.5 million, or 38% lower than the prior year fourth quarter revenue of $6.7 million. When excluding the revenue from the U.S. Government contract, which was $400,000 in the current fourth quarter and $3.1 million in the prior year quarter, our core revenue grew about 5%. This growth was driven by the expansion in billings from our Retail and Professional markets.

Retail market billings grew 93% reflecting the impact of our flu shot related business. As many of you are aware, we are the leading provider of medical waste disposal solutions for flu shots administered in the retail setting. We anticipate a strong flu shot business this season for two reasons. First, the increase in the quantity of flu shots manufactured and secondly, the increasing percentage of flu shots that are expected to be administered in a retail or alternate site setting such as a pharmacy, a grocery or other mass retailers that offer flu shots for their customers. The retail setting is not only very cost effective for the provider and the patient, but of interest to the retailers themselves. It drives foot traffic into their stores.

Professional market billings grew 68% in the fourth quarter of fiscal year 2010. We've successfully grown the level of sales to professional offices through our strong distributor network while increasing the level of direct sales as a result of the Company's inside sales initiative. Inside sales are now generating new sales of over $25,000 per month, which is up from $3,000 per month about nine months ago. Considering the impact of re-orders and growth expectations from our key distributors, we believe that we could generate fifty plus percent growth off of a much larger sales base in the professional market in fiscal year 2011. Through our distributor relationships, our inside sales initiatives and our multi-layered marketing initiatives, our charge is to educate the hundreds of thousands of professional offices throughout the U.S. of our cost-effective and convenient mail-back alternative to the costly and traditional pickup service. We've consistently demonstrated that our mail-back solutions are about half the cost of the traditional pickup service, and as a result, we believe that we're making an impact on the market.

Along with our sales team, I recently met with our largest professional market distributor. They're the largest provider of healthcare products and services to office-based practitioners. We met to develop additional initiatives and to further educate their very large customer base on the advantages of our mail-back solution. Their sales force was very impressed with our offerings and the potential to grow the business. In addition to this effort, we added two inside sales personnel in the fourth quarter and now have a group of eight inside sales personnel calling on targeted professional offices, and more recently, calling on smaller, independent home healthcare and assisted living facilities. We also believe our inside sales team is uncovering opportunities that would otherwise not have been identified through our direct sales efforts. It's our plan to continue to grow this team and we expect to add as many as four inside sales personnel by the end of the calendar year. We expect that after giving a given training period of about six months, the potential new sales opportunities for each rep would be anywhere from $70,000 to $85,000 a year, and that's not considering the additional revenue from re-orders.

We are making significant strides in the Government market as well. Outside the large U.S. Government agency contract, Government market billings for the fourth quarter included $235,000, which is attributable to the VA pilot, as well as the unused medication programs in Iowa and North Dakota. For those that may not be familiar with our efforts, we launched a pilot program with the VA in February of 2010. The pilot initially involved select VA medical centers in one five state region, which provided our Sharps Recovery System™ and RxTakeAway™ solutions to their patients, as applicable. Our program has been very well received by both the VA and their patients, and since our initial launch, the pilot program has now expanded to three other geographic regions within the VA. It's important to note that the VA's pharmacy services division provides care to over 5.5 million veterans each year. If fully adopted, this program could generate a very significant revenue opportunity for the Company. Additionally, a full roll-out would establish the VA as the second major government agency utilizing the Company's solutions as a recognized standard of care for patients who generate medical waste or unused medications outside of the hospital setting. We continue to actively market our Medical Waste

Management System to other government agencies, and are in discussions with our existing government agency customer for the possible expansion of our current program. Unfortunately, the timing of the closing of these large dollar opportunities are difficult to predict.

We did experience reduced billings in the Home Healthcare market, which was down as a result of distributor incentive programs which we are reevaluating. We also had lower billings in the Pharmaceutical market, which experienced a discontinuance of a major patient support program. Based on our understanding from the customer, the discontinuance of the program was the result of their cost savings initiative. Although we're still in discussions with many pharmaceutical manufacturers regarding our patient support program, we were ultimately disappointed with the sales cycle and the pharmaceutical manufacturers' response to the recent California legislation. However, what we are finding is that pharmaceutical manufacturers are more receptive to the launch of a patient support program for sustainability issues, meaning our PELLA-DRX™ Waste Conversion Process™ appears to be a key driver in the sales cycle. Additionally, we believe the environmental aspect of our solution offering is more likely to lead to a company-wide versus single drug programs. Our sales efforts have been redirected from the project manager level who is primarily concerned with their P&L, to a corporate level that has obligations to meet sustainability and green initiatives.

For the year ended June 30, 2010, revenue grew about 93%, or $19 million, to $39.2 million. This growth was driven by the increased U.S. Government contract billings of $17.2 million and increased Retail market billings of $2.4 million. Excluding the impact of the U.S. Government contract, we still had double-digit growth in the core revenue, which was up $1.7 million or about 12%.

Our confidence in the many growth opportunities in our markets served, including Retail, Professional and Government, continues to be substantiated by the excellent engagement we have with existing and prospective customers. A prime example is our unused medication line of takeaway solutions, which generated only about $400,000 in billings for fiscal year 2010, or about 1% of our total revenue for the year. We anticipate, based on conversations with our current and prospective customers that the takeaway solutions could contribute significantly more to the 2011 billings when considering the impact of potential sales to the VA and pharmacy chains, including the majors. Currently, we're in conversation with a major retailer whose initial order could result in sales in excess of the entire takeaway billings for fiscal year 2010. We should be in a position in the near future to provide more details regarding this opportunity.

We're continually broadening our channels to market as well. For example, we are realizing the positive impacts from a strategic alliance that we have with a leading hazardous waste solutions provider. As a result of this alliance, we're now able to offer customers a single source for addressing disposal of medical waste, unused medications, and importantly, hazardous waste solutions as well. Hazardous waste in a healthcare or a pharmacy setting could include such items as bulk chemo, nitroglycerine or coumadin. This was an important element in the recent renewal of a major home healthcare customer. We expect the partnership to become more successful as the hazardous waste company is likewise referring medical waste opportunities to us, and we should see positive impact from this relationship beginning as early as our September 2010 quarter.

The proper disposal of unused medications is one of the hottest topics in the country, driven by increased proposed, pending, and enactive legislation at both the state and federal levels. We believe we are ideally positioned to take advantage of this untapped $1 billion market opportunity.

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

Diana Diaz: Thank you. Gross margin for the fourth quarter of fiscal year 2010 was 29% versus 57% in the prior year quarter. The margin was adversely impacted due to three primary factors. First, there was lower sales volume as the U.S. Government contract transitioned to the maintenance phase. Secondly, we made investments to expand and upgrade the Company's infrastructure in anticipation of growth, and finally, we had the addition of new operational personnel and other related rollout costs for PELLA-DRX™, our waste conversion process that David mentioned earlier. We believe all of these expenditures are very important for positioning the Company for future growth. As a matter of fact, we believe we've established the infrastructure to facilitate another large U.S. Government program as well as two to three times our current core business.

Gross margin for the year ended June 30, 2010 was very strong at 60%, which compared with 52% in the prior year and reflects the increased year-over-year revenue growth related to the government contract and expansion of core revenue combined with the mix of products sold.

SG&A for the fourth quarter of $2.7 million was about 5% higher than the prior year amount and about $500,000 higher than the sequential quarter of $2.2 million. Included in last year's fourth quarter was a special charge of $512,000 related to the departure of a former officer of the Company. The year-over-year increase in SG&A, excluding that charge, was $631,000, or 31%, and was the result of additional sales personnel, higher marketing and public relations expense and costs related to the PELLA-DRX™ Waste Conversion Process™. There were also increases in patent preparation and filings expenses, legal expenses, audit and related fees and regulatory consulting fees. The increase in sequential SG&A of $500,000 was due to increases in audit and related fees, legal expenses, regulatory consulting fees, marketing and public relations expense and additional sales personnel.

For 2010, SG&A expense was $8.8 million versus $6.6 million for the corresponding period of the prior year, an increase of $2.2 million, or 33%. Unless we flex higher for targeted sales and marketing activities, SG&A expense for the fiscal year 2011 should be about $9.2 million, or about $2.3 million per quarter.

Our total headcount increased from 44 to 67 over the past year, an increase in personnel of 23. Of this increase, six are operations and treatment facility related personnel additions, and 15 are sales and marketing related additions. This brings the sales and marketing headcount level to 25, of which 11 are direct salespersons, 8 are inside salespersons and 6 are marketing and sales support personnel. We believe the increase in sales and marketing related personnel and related expenditures to be a critical element for success in landing more opportunities in our key markets.

For the fiscal year 2010 fourth quarter, the Company generated a net loss per diluted share of $0.07 versus net income of $0.05 per diluted share for the corresponding period of the prior year. For the year-to-date period, the Company generated net income of $0.63 per diluted share compared with net income of $0.30 per diluted share for the prior period. The $0.30 per diluted share for the prior fiscal year included a one-time tax credit of $0.13 per share.

Our balance sheet remains very strong, with about $18 million in cash and $22 million in working capital at June 30, 2010. The Company received a federal income tax refund of $2 million in July of 2010, bringing the current cash balance closer to $20 million. We have no debt and a $5 million bank line of credit. Given our outlook, we believe that there is more than sufficient cash available to fund our growth. But, even more essential to our success, we believe that prospective sales in fiscal 2011 will create positive free cash flow. We define free cash flow as net income plus depreciation and amortization less capital expenditures.

Capital expenditures were $3 million for fiscal year 2010, of which about $600,000 were attributable to equipment and other capital expenditures associated with the Company's new Waste Conversion Process™, and another $1.8 million in cap ex was associated with facility and infrastructure build out that includes leasehold improvement, racking and other equipment. We believe our annual maintenance capital expenditure should be about $1 million going into fiscal year 2011, barring any expansion of the Waste Conversion Process™ outside of our own treatment facility.

Looking forward, the first month of our fiscal year 2011 quarter started off strong with billings of about $1.8 million, which is consistent with our internal expectations. As David mentioned earlier, we expect our September 2010 quarter to be positively impacted with a large retail chain opening order of the RxTakeAway™ Solution. David?

David Tusa: Thanks, Diana. Before we begin the Q&A, I just want to reiterate a couple of items. Two very critical opportunities we're working on in the Government and Retail market we believe are the stepping-stones for defining a higher standard of medical care for their customers. Within the Retail market, a major win with the RxTakeAway™ solution could potentially start a domino effect in the industry. We'll keep you posted on how the discussions are proceeding, although we have some preliminary indications that we believe are quite positive. The U.S. Government could become the leader on the proper disposal of medical waste outside the hospital setting and unused medication disposal. Our first agency customer initiated a process for emergency deployment situations, whereas the VA pilot program if fully adopted could contribute significantly to recurring revenue. Both programs demonstrate the importance of addressing a market that until now has been largely unserved.

And operator, with that, I believe we're ready 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 the 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, please, while we poll for questions.

Our first question is from Ryan Daniels with William Blair and Company. Please proceed with your question.

Kristina Blaschek: Good morning. It's Kristina Blaschek for Ryan today. If we could start with the pharma segment, and specifically the California legislation first. Do you have a sense for how the plans will be evaluated? We took a look at the website for the bill and it doesn't seem to require any standard for proper disposal at Sharps. Ssome of the plans that were submitted were very specific while others were quite vague. So, any color you have would be helpful.

David Tusa: Actually, there is information on that, on the California Integrated Waste Board website, that talks about the evaluation of the plans. And, from what we understand and from what you see on the website, the California Integrated Waste Board is going to evaluate the plans and provide some sort of response in the future.

Kristina Blaschek: Okay. Do you think, with some of the manufacturers that submitted plans that they will have further discussions with you guys or are they currently having discussions with you right now?

David Tusa: Yes, I think that's true. I mean we're still in conversation with the pharmaceutical manufacturers that we were talking with three or six months ago or a year ago. I think what has changed from our sales perspective is, in additional to the legislation, we're looking at other issues, sustainability and environmental issues and helping them develop companywide solutions. So, yes, I think that there continues to still be opportunities, but I think at the end of the day, the sale cycle is just going to be a bit extended in dealing with the pharmaceutical manufacturers.

Kristina Blaschek: Okay, that's helpful. And then, can you provide additional color on the pharma manufacturer that discontinued its patient support program and what led to that?

David Tusa: From what we understand in talking with the customer, it was purely a cost issue. It was a cost-savings initiative as the product manager was looking at saving dollars on their P&L. So, unfortunately that program was discontinued.

Kristina Blaschek: Okay, that's helpful. Moving on to the VA pilot program. It's nice to hear that the pilot program is doing well and has expanded. It sounds like from your prepared remarks that it's expanded to three other regions. Do you have a sense—or I don't know if you have it on hand, how many VA centers you're now providing the Sharps Recovery System™ and RxTakeAway™ to?

David Tusa: A region takes into account usually about five or six states.

Kristina Blaschek: Okay.

David Tusa: We started up in the northeast region, and since, it has expanded to the northwest and the pacific northwest and the southern central part of the country, as well. So, it has expanded, which is really good news. They see the value. The VA really likes the program and the response from the patients has been very positive. So, we see the pilot expanding as more regions become aware of the solution offering, so we're very encouraged by this. Again, we think this is another opportunity for a government agency to establish a standard of care with their patients by providing them the proper disposal of syringes as well as addressing the disposal of unused medications.

Kristina Blaschek: Great. And then, of the package that has been mailed out to patients, have you started receiving some of them back? And, if so, how does it compare to your initial targets?

David Tusa: We have, and they're tracking at about what we had expected. We provide a dash forward to the VA once a week and we share with them all the data on what went out, what came back, where it came back from, and which center is performing better than others. They are pleased with the data, and we're pleased with the data, so it's meeting our expectations at this point.

Kristina Blaschek: Okay, great. That's helpful color. Thank you.

Operator: Ladies and gentlemen, as a reminder, it is star one to ask a question at this time. Our next question comes from Kevin Steinke with Barrington Research. Please proceed with your question.

Kevin Steinke: Morning. I just wanted to follow up a little bit on the California legislation. Have you gotten any feedback on the legislature's level of satisfaction with pharmaceutical manufacturers' response to the legislation? Or, is that kind of yet to be determined as the Waste Board evaluates their plans?

David Tusa: Kevin, I think that's to come. When you look at the responses and you look at what a lot of pharmaceutical manufacturers posted as their plans, I think it's clear that the government sector of California, as well as the industry, was just a bit disappointed in their response. Because, really only a few of them acknowledged that either they have programs in place or programs need to be in place. So, I think that'll probably develop over the next three to six months on their reaction, and if any, what next steps potentially could be.

Kevin Steinke: Okay, great, thanks, that's helpful. Obviously, a really strong start to the flu shot season for the retail business here. Is there anything unique or different about the way you expect your billings to play out this year relative to what it's done historically?

David Tusa: It should be, as far as from a seasonality standpoint, with the flu shot business, we'll continue to experience that. We were really pleased to see, by the way, the beginning of flu shot season starting up a little bit early, as you can see in the June billings, which were strong. We'll see a seasonably strong September quarter with the flu shot business and, the other thing we're encouraged by is that we think that the September quarter has the potential to also be impacted by a large retailer launching an RxTakeAway™ program. We also expect to see the positive impact from our relationship with the hazardous waste company and opportunities coming to us from them, that could potentially positively impact the September quarter. We continue to see strength in the professional market, so you could see some very positive things. Now, the rest of the year, as you well know, Kevin, it's a very lumpy business. It's driven by large, lumpy deals. So, it's really difficult to predict past the September quarter. But again, with all the opportunities we have in the pipeline and all the activity we have, between the VA, the retail sector and the professional sector, we're feeling good that 2011 is going to be a solid year.

Kevin Steinke: Okay, good. Just a couple more here. Do you feel like on the inside sales effort you're gaining traction in the home healthcare and assisted living markets as well as doctors and dentists? Or, is it kind of too early to tell?

David Tusa: That's a good question. We're actually seeing some larger dollar wins in those markets. One in particular where the numbers were positively impacted, was a large assisted living customer that we landed as part of inside sales. We're really pleased with the launch of it, and the results, we think will continue to gain traction. The beautiful part about this business is that you make an initial sale and then you have reorders throughout the year and it is recurring revenue business.

Kevin Steinke: Good. Okay. One last question. Are you still looking to fill the role of Vice President of Operations in the company?

David Tusa: Yes, we're looking at that. I've spent a lot of time over this last month in both operations and sales, and we've got a solid Director of Operations who's doing a fine job. With the anticipated growth in the business we are going to have to add strength to the management team in the operations sector. So, we're still looking. We're looking at a number of different candidates, but everything right now is operating just fine.

Kevin Steinke: Great. Thanks a lot.

David Tusa: Thanks, Kevin.

Operator: Thank you. Ladies and gentlemen, at this time I'd like to give a final opportunity for any questions. It is star one at this time.

David Tusa: We've got a couple of email questions. One is on the status of the PELLA-DRX™ current and expected investment amounts, market interest, and current customer commitments. The PELLA-DRX™ process, which again, we think is very innovative, differentiates us as we go after these opportunities. It was key in renewing a major home healthcare customer recently and is providing us a differentiator going forward. Right now, we're utilizing the process for our internal processed medical waste. It's running fine. The investments that we've made in it that Diana pointed out in the cap ex section are ones that have been made. We don't expect significant additional capital investments related to PELLA-DRX™ unless there's a decision made to use that outside of our own treated medical waste. We are evaluating that and we've received a significant amount of interest from companies that would like to talk about using the PELLA-DRX™ process as part of their medical waste treatment. So, we're looking at that, we're evaluating it, but we haven't made any decisions. Right now we're focused on using PELLA-DRX™ to do what's intended, to repurpose the medical waste and to help us differentiate ourselves from others and help in landing larger sales opportunities.

There's another question talking about competition. Are they getting more active in our market? I don't see a significant change in the competitive landscape. I still think that we're the leader with respect to the mail-back solution and with respect to a couple of competitors out there. We really have not yet seen a significant impact.

Operator, any questions?

Operator: Yes, our next question is from Walter Young with Thompson Davis and Company. Please proceed with your question.

Walter Young: Good morning. My question is about the inside sales personnel with a goal of $70,000 to $80,000 per year, and it seems to me that they cost, based on what my employees cost, a fair amount. When you take your margins away, it almost seems redundant to have such a low goal. I assume that part of the reason is the recurring revenue, but if you could explain a little better how that works and how that is profitable business, it would help me.

David Tusa: That's a good question, Walter. Yes, the initial sale is just the beginning. It's a recurring revenue business that really generates and expands the revenue growth in that inside sales effort. We've modeled this out based upon our expectations, and even with the revenue level that we expect to generate going forward, we think that it'll be profitable as early as the December quarter.

I tell you Walter, the other thing that it's doing is it is uncovering opportunities that we may not have otherwise uncovered. In addition to generating revenue and profitability, there are opportunities that are coming out that are larger dollar opportunities where we would bring in a direct salesperson to help in closing the deals. And actually, there's a couple of them that we've proposed on, such as larger dollar deals that came through efforts from the inside sales. So, it's another channel for us to reach out to the vast customer base that we're chasing. But, we've been very pleased with it. We think it's going to be very profitable beginning in the December quarter, and that's not even considering the opportunities that they're bringing about that are really outside of what a traditional inside sales person would chase.

Walter Young: Okay, thanks.

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

George Walsh: Thank you. David, I just wanted to clarify a bit more on the California legislation and the ramp-up there. Do you feel it's an issue of that there needs to be more enforcement regarding the legislation that it's adopted? Or, it is going to be a longer ramp-up and the pharmaceutical companies are really coming around with a plan? Or, maybe a bit of both there?

David Tusa: Probably a bit of both, George. I think it's just a bit too early to tell because July 1 was really just not that long ago. The push on the environmental side is big because it helps a pharmaceutical manufacturer put a program in place that will support their green initiatives. Again, I think that'll play out over the next couple of quarters. We do have a couple of large pharmaceutical manufacturer opportunities that we believe are in the mid to latter stage that are quite large. So, good things have come about and some key opportunities are presenting themselves. One pharmaceutical manufacturer that has eight different self-injectables is looking at putting a company-wide program in place. And then, one large insulin manufacturer that we're talking with has an interest in putting a program in place. That doesn't mean we're going to close it tomorrow. What that means is that there are larger dollar opportunities and ones that are really, truly more companywide solutions.

George Walsh: Okay. In the previous call, you mentioned sizes of various contracts, I think in the $10 to $15 million range. Are we still looking at those kind of opportunities and larger?

David Tusa: Well, those opportunities will be ones on the government sector. The VA pilot, if it gets rolled out, will be recurring revenue and that could meet or exceed the numbers that you just mentioned. When you're talking 5.5 million patients, that's a significant revenue opportunity with respect both to the Sharps Recovery, as well as the unused medication program. We do have some pharmaceutical manufacturer deals that could reach that level. We also have the opportunity to expand our existing government contract, and that could be a multimillion dollar contract. We still have many opportunities to land large deals. And George, as we've talked about before, the key to this business is making sure that while we're chasing all the large dollar opportunities, we keep our eye on the core business and grow the core business, that recurring revenue business. A combination of success in growing the core business at acceptable rates coupled with landing the large deals along the way is what we're doing strategically.

George Walsh: Okay. Thanks again.

Operator: Thank you. Our next question is a follow-up from Kevin Steinke of Barrington Research. Please proceed with your question.

Kevin Steinke: Hi. I just wanted to follow up again on the VA pilot program, and how that program was expanded or what drove the decision to expand it by the VA? And, have you gotten any additional feedback on potential timing as to when it could be moved from pilot stage into something more substantial? Thanks.

David Tusa: We started in that five-state region in the northeast, and what happened in conjunction with that was the VA advised other regions across the country of the program. So, the other regions in the country got a hold of the VA and said, "This makes a lot of sense and we'd like to participate as well." It was really internally driven through interest within the VA, which we saw as very positive. We would be very pleased if they made a decision on the rollout by as early as the end of this calendar year. We can't make any assurances but there is a lot of positive things that are going on.

Kevin Steinke: Okay, great. Thanks. That's all I had.

Operator: Thank you. There are no further questions at this time. I would like to turn the floor back over to Mr. Tusa for closing comments.

David Tusa: Thank you. In closing, I would like to reiterate my confidence in the long-term prospects of the Company and our solution offerings. We had an excellent fiscal year 2010 as we completed the product build-out phase of a $40 million U.S. Government contract. During the second half of the year, we focused on investing in sales, marketing and our operating infrastructure to support our anticipated growth. As a result, our pipeline of opportunities is now more robust than ever and we believe we could begin to see larger dollar prospects hitting the income statement beginning as early as the September 2010 quarter. We continue to innovate, as shown with our PELLA-DRX™ Waste Conversion Process™, which not only repurposes medical waste but also provides us with a significant sales differentiator as we penetrate the $1 billion dollar market for medical waste generated outside the hospital setting, and the $1 billion market for unused medication disposal solutions. We appreciate your support and thank you for your participation in today's call.

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