Operator: Greetings and welcome to the Sharps Compliance Corporation's Third Quarter Fiscal Year 2013 Financial 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, Investor Relations for Sharps Compliance Corporation. Thank you, Ms. Pawlowski, you may begin.

Deborah Pawlowski: Thank you, Donna, and good morning, everyone. We appreciate your participation in our Third Quarter Fiscal Year 2013 Financial Results Conference Call. You should have a copy of the news detailing Sharps' results that was released earlier this morning. If you do not have the release, you may obtain it from the Company's website at www.sharpsinc.com. On the call with me today are David Tusa, Sharps' President and CEO, and Diana Diaz, its 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 webcast, note you do have the ability to submit questions through the Internet.

As you are aware, we may make some forward-looking statements during the formal presentation and in the question-and-answer portion of this teleconference. These statements apply to future events, which are subject to risks and uncertainties, as well as other factors that could cause actual results to differ materially from where we are today. These factors are outlined in our earnings release, as well as in documents filed by the Company with the Securities and Exchange Commission. These can be found at our website or at 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. I'll briefly review the third quarter and discuss our progress in key-targeted markets, as well as growth strategy. Then I'll turn the call over to Diana, who will review the financials in a bit more detail.

We reported revenue of $5.4 million for the third quarter, up just 7% over the prior year period when you exclude the January 2012 CDC business. While we did book some advanced flu shot orders during the third quarter, which bolstered the retail market billings, we didn't have any large program orders, such as for our pharmaceutical manufacturer patient support programs. These orders are usually lumpy as the pharmaceutical manufacturers order in bulk as part of our vendor managed inventory offering. Additionally, our third quarter distributor orders for the professional and home healthcare markets were lower than we expected due to timing of orders.

Now comparing with the trailing second quarter of fiscal year 2013, revenue decreased $300,000, or about 5%. The second quarter of fiscal year 2013 included large pharmaceutical manufacturer orders related to patient support programs totaling about $500,000. There were no comparable orders in the third quarter fiscal year 2013.

Our retail market continued to grow, where our billings increased 25% in the third quarter to $1.7 million. A significant portion of the retail market billings is related to the flu shot season, a market where we believe we are the leader in providing retailers with the solutions designed to manage medical waste generated as part of flu and other immunizations.

The current quarter included carryover orders from the 2012 flu shot season, as well as advance orders for the 2013 flu shot season for one large customer. Sales in the retail market were also higher by $185,000 for our consumer-focused Complete Needle Collection & Disposal System™, and $85,000 for the TakeAway Environmental Return System™ solutions compared with the prior year.

Professional market billings, which represent about 17% of the total billings, grew over 7% to $875,000 in the third quarter fiscal year 2013, from about $815,000 in the prior-year period. The driving force behind the professional market is the targeted telemarketing activities in our e-commerce-driven website. Billings through the inside and online sales channel increased about 22% year-over-year to nearly $800,000 in the third quarter. We are building stronger awareness of our cost-effective solutions through the inside and online sales channel in the professional market, and believe we should continue to see substantial inroads in the coming quarters. Offsetting the growth in the professional market, inside and online sales were lower sales through our distributor channel, which was adversely affected by the timing of orders.

We continue to wait for decision-making on the Veterans Administration Consumer Medication Return Envelope Program. As we have discussed on prior occasions, we believe our TakeAway Environmental Return System™ envelope is uniquely qualified to meet all of the requirements of the contemplated program. But in saying this, we can make no assurances that the VA will launch a nationwide program nor select Sharps Compliance as its vendor.

We are building a solid pipeline of opportunities, including significant activity through our joint marketing alliance with Daniels. Excluding government, our pipeline of targeted opportunities currently exceeds $30 million in annual recurring revenue opportunities, with over 60% of these opportunities attributable to alliance-type opportunities where both the mail back and the pickup service are integrated into the service offering.

We have been awarded annual recurring revenue opportunities associated with the alliance of about $900,000 so far, and should begin to see the revenue impact of the success of this effort beginning in the June 2013 quarter.

We continue to transform the Company into a comprehensive medical waste management provider, which we believe should accelerate our penetration into the entire medical waste market. And with that, I'd like to turn it over to Diana, who will provide more details on the financials. Diana?

Diana Diaz: Thank you, David. Gross margin was 28% in the third quarter of fiscal 2013, down 80 basis points from the prior-year period. The margin contraction reflected a 160 basis point impact associated with additional accrued loss for a lease-related liability upon the complete sublease of the Atlanta facility during the quarter.

SG&A expenses in the third quarter of 2013, of $2.35 million, were up about $135,000, when compared with the prior-year period. The current quarter included almost $200,000 of severance costs, as well as continued investments in our sales and marketing initiatives. We expect to maintain a level of about $2.2 million in SG&A expenditures over the next several quarters.

We had an operating loss of about $940,000 in the fiscal 2013 third quarter, compared with an operating loss of about $800,000 in the same period of the prior year. Earnings before interest, taxes, depreciation, and amortization, or EBITDA, was a loss of about $670,000 for the third quarter of fiscal 2013, compared with EBITDA of just over $525,000 in the same period of the prior fiscal year. Net loss for the fiscal 2013 third quarter was about $955,000, or $0.06 per diluted share, compared with a net loss of about $520,000, or $0.03 per diluted share, for the prior-year period.

Our breakeven is quarterly revenue of about $6.2 million, with a corresponding gross margin of about 34%.

Now, looking at a few of the highlights for the nine months ended March 31, 2013. Core customer billings, which exclude the CDC contract, increased 3.7% to $16.2 million. We experienced strong growth in professional billings of over 26% for $2.8 million, while assisted living billings increased by almost 24% to $1.2 million. Core Government billings were up 83%, or about $270,000, to $600,000 as a result of a large stocking order placed by the U.S. Department of Defense for about $200,000 through our distributor channel earlier in the year.

Retail billings were relatively unchanged at $4.3 million for the period, compared with the first nine months of fiscal 2012. Retail billings were impacted by the timing of orders and new program launches in the prior-year period of the TakeAway Environmental Return System™ solutions. Flu business for the nine months ended March 31, 2013, was basically flat in comparison with the prior-year period at $3.2 million.

Our balance sheet remains solid with $16.1 million in cash and cash equivalents as of March 31, 2013. As we mentioned last quarter, we continue to see a decrease in cash and cash equivalents from June 30, 2012, of $1.4 million, due to our continued investment in sales and marketing and maintenance of operational infrastructure to support a much larger revenue run rate than we currently generate. Our financial position is very strong and bodes well for us as we invest to build a larger Company.

Given the Board of Directors' confidence in the underlying fundamentals of our business and the strength of our balance sheet, the Board authorized a stock repurchase program in January of 2013 for up to $3 million over a two-year period. During the quarter ended March 31, 2013, we repurchased 25,360 shares at an average price of $2.93 per share. Our outlook for our business is strong, and we believe repurchasing our stock is a good use of available capital. With that, I'll turn the call back to David.

David Tusa: Thanks, Diana. But before we turn the call over to Q&A, I just want to make a few comments. The question I've probably received most from current and prospective shareholders is as follows: What's the biggest challenge you see in growing the business? I think I've been consistent in my response, which has been: significantly increasing the awareness of the Company and of our solutions in the marketplace. So in addition to our current marketing and awareness initiatives, I see two items that could further drive this awareness. Now, the first is our concerted effort to be more recognized as a provider of medical waste management services, not just a mail-back Company. This approach has landed us in front of much larger and higher-profile prospective customers. And by the way, we believe we're only one of two Companies in the country that can effectively launch a nation-wide medical waste management program with multiple offerings. So our repositioning of the Company has not only greatly improved the quality of our pipeline, but it's also increasing awareness of the Company and its solution offerings.

Now the second item that I believe is increasing awareness, is the impact of uncertainty created in the current state of healthcare. As a result of the uncertainty, our prospective customers are looking for cost savings now more than ever. Simply said, during uncertain times, you may not be able to control your revenue, but you sure can control your cost. Most of our prospective customers are looking very hard at every line item in their P&L, and this seems to be a common theme we hear in the marketplace. I believe we're very well-positioned to answer this call and provide the market with not only cost savings, but also excellent customer service, regulatory support and operational efficiency.

So with that, Operator, why don't we open it up for questions?

Operator: Thank you. Ladies and gentlemen, 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 keys.

Our first question is coming from Joe Munda of Sidoti & Company, please proceed with your question.

Joseph Munda: Good morning David and Diana. Thanks for taking the question.

David Tusa: Good morning, Joe.

Joseph Munda: Real quick, David, or actually, Diana, I'm going to start off with you. The Atlanta facility and the impact on the gross margin line, when should we see a clean gross margin number for you guys?

Diana Diaz: Well, we completely subleased that facility during the quarter. So you should see no impact from the Atlanta facility next quarter.

Joseph Munda: Okay. So, and I'll get into that, but as far as the target gross margin for breakeven, is that achievable at these revenue levels? Or it has to be at the six point—I forget what the number was.

Diana Diaz: It needs to be at $6.2 million.

Joe Munda: Okay, and then, David, you spoke of timing of orders impacting top line. So are we expecting to see a bump in the fourth quarter based on those comments?

David Tusa: Well, what we had on the distributor side, in particular, there was about 150,000 of orders that should have come in the March quarter for the distributor side. It would have put that professional market above $1 million for the quarter, and yes we should see that rolling over to the June quarter, and that affects the professional market.

Joseph Munda: Okay, and that distributor, is that in reference to Daniels or…?

David Tusa: No, no, it's distributor in the Professional market, primarily in the dental market.

Joseph Munda: Okay. On your last comment, and then I'll hop back in the queue, you spoke of the biggest challenges and possibly Obamacare creating opportunity for you guys due to the cost savings. Are you seeing any market share gains as a result of some alleged price hikes from competitors? Are you seeing customer feedback or customers turning towards you guys instead of the competitor?

David Tusa: Well, let me say it this way, with the pipeline that we've created as a result of having both the mail back and the pickup offering, it's really enhanced our prospects. So with these prospects, we're chasing and proposing on much larger opportunities, multiple facilities across the country, and what's driving that is a new provider, and the increased awareness, because before they weren't aware that there was a provider that was in competition with the primary service provider. So they're now aware of a new player, and then they're also aware of the prospect for cost savings when you combine both the mail-back and the pick-up. And that's what's really driving the opportunities at the larger opportunities that we're closing.

Joseph Munda: Okay, and following up on that, obviously, that's kind of building up right now. When do you expect to see the gains from the awareness that you're describing from customers?

David Tusa: Well, if you talk about the $900,000 or so that we have closed already, we'll start to see the impact probably about $100,000 or so in the June quarter, and hopefully ramping up to about $200,000 starting in the September and December quarters. But as we close more and more of these larger deals, then we'll start to see the impact in the P&L. So it's directly a function of our ability to close the deals that we have in the pipeline. And that's really what I see as creating the awareness and driving more opportunities as the opportunities close.

Joseph Munda: Thank you. I'll hop back into the queue.

Operator: Thank you. Our next question is coming from Brian Butler of Wunderlich Securities. Please proceed with your question.

Brian Butler: Good morning, thank you for taking my questions.

David Tusa: Good morning, Brian, how are you doing?

Brian Butler: Good, good, thank you. First one, on the strength you saw on the retail, some of that was from last season's flu season kind of rolling over, and then you said advance orders. How did the advance orders compare to last year's advance orders in this period?

David Tusa: That's an excellent question. The advance orders that were included in the March quarter for last year were about $1.3 million, and this year—in the March quarter of this year, the advance orders were about $700,000. So the advance orders actually in the March quarter were smaller than what they were in the prior-year period. If we would have had all of the advance orders in this quarter, then we would have been higher by another $500,000 or $600,000.

Brian Butler: Okay. So if those orders are just more of a timing issue, then you'd expect to see those in the next, call it the fourth quarter or the first quarter as the flu season gets on its way, is that right the right way to think about that?

David Tusa: No, you're right. It would impact the June quarter. We've been involved in this flu shot business for years, and it seems like every year the ordering pattern changes depending upon the perceived flu shot season, the severity of it. But we got $700,000 in advance orders so far this March quarter for the '13 season and we should have quite a bit more in the June quarter.

Brian Butler: Okay. Did the June quarter last year get impacted negatively since it was kind of pulled forward?

I think retail was like $1.3 million in the June quarter last year, and I just wondered if that shift that down from first quarter—or I'm sorry for—I got the quarters mixed up. Your June was probably like $800,000, I'm sorry.

Diana Diaz: Yes, about $600,000 of that was flu related.

Brian Butler: About $600,000, okay. And then on the professional side, you said that the distributor impact was like $150,000 of an order that got pushed out. So if you included that, your growth in the professional would've been closer to like 25% year-over-year in the quarter. So thinking about fourth quarter '13, you should have the potential there to have a very strong year-over-year growth. I mean, if you're going to include that $150,000 plus the kind of the run rate of a $1.0 million where you've been anyways.

David Tusa: You're exactly right, should see the spillover of that $150 thousand into the June quarter. But just with all of the things that we're doing on the web and the inside sales initiatives, we should see growth there, as well. So the June quarter should bode well for the professional market.

Brian Butler: Is it Daniels partnership? I thought there was going to be some contribution in this period. Was that my mistake, or has something been pushed out a little bit on the timing of some of that rolling in?

David Tusa: We had our first large customer rollout start in January, but it really rolled out across the quarter instead of all at the beginning of January. So the impact wasn't as high as what we had hoped for, but you will see the full impact on that in the June quarter. And again, it should be about $100,000.

Brian Butler: On the healthcare, or the Home Health Care piece of the business, you had I think about $200,000 and roughly $240,000 to $250,000 that was a delayed order that came in January.

David Tusa: Right.

Brian Butler: So if you account for that, it seems like the Home Health Care segment was pretty weak. Has something else been pushed out into the June quarter, or is there something else going on in that, from a structural point of view?

David Tusa: That has been a market that has been very difficult for us to manage. You would think with the increase in home healthcare that the market would be growing. As a matter of fact, that's one of the markets that our new Senior VP of Sales is going to focus on, drill more into that market, and look for more opportunities in home healthcare, especially the infusion markets, and not only review existing customers, but more importantly, get more focused on landing greater opportunities in that marketplace, which is growing. It is a key market for us that should be growing. It should be growing and not struggling.

Brian Butler: Okay. One or two more here, just on the pharmaceutical side, you guys have been seeing a very good ramp-up over the last four or five quarters, to that target of $3 million in annualized revenues for the pharmaceutical side. And now, we've seen a big step here back in this quarter, and I understand that there is lumpiness, but what's the right way to think about that, going into the fourth quarter and then to the fiscal 2014? I mean is that $3 million in annualized revenue still a realistic target? Or is that going to take longer to get to?

David Tusa: We still think it's a realistic target. It has taken a bit longer to get to that. For one of the larger programs that we have, the return rate on that particular program is a little bit weaker than what we had expected, and that particular program is driven by a split model, where we had some of the revenue on the backside when the unit is returned. So the return rate on that one is a bit lower, which really adversely affected revenue here. As a matter of fact, we are meeting with the customer later in May to see what we can do to improve the returns, because, we, just like the pharmaceutical manufacturer, want to see the mail-back used. They want to see the patient use the mail-back and they want the mail-back returned.

So I think we still have the opportunity to get to the $3 million. It's taken a little bit longer than what we would expected. But we may need another quarter to get it closer to that run rate.

Brian Butler: Okay. But theoretically, this quarter was low at $300,000, we should be going up from there?

David Tusa: Right, well there were no bulk orders. They order in bulk and we inventory them through a vendor inventory managed program. We had those in the last couple of quarters, and we didn't have it this quarter because there was sufficient inventory.

Brian Butler: And how does that inventory look?

David Tusa: I'm sorry?

Brian Butler: Sorry. How did that inventory look going into the fourth quarter? Is it high or low?

David Tusa: Well, the inventories change every day, they're dependent really upon how many more patients come on the program and how many patients come on and off treatment. So we really won't know—we probably won't know for a bit when the next bolus of reorders are, and that's why we're going out and actually spending some time with the customers.

It's very difficult to predict. It's lumpy. You know, sometimes, Brian, it has to do with funds that they have. When they have a particular quarter where they have extra dollars, sometimes they'll throw it out and increase their inventory. So you've really got to look at that as really more like a trailing 12 month basis.

Brian Butler: Okay, and then last one. You mentioned the VA mail backs and that RFI that was out there. Do we have a little bit more color on that? I haven't seen an RFP. Do you guys know of that being in the works, or the timing on that? Because I originally, I think the RFI itself suggested timing sometime in March or April for an RFP, but again, I was just hoping you might have a little bit of color on timing of that piece?

David Tusa: Well, it looks as though the program awards have been delayed. And that's evidenced by just what you just said. They haven't met their published schedule. So it just looks like it's delayed.

Brian Butler: Is that more tied, or do you know, is that tied to just the general economic environment in the sense is the government cutting back? Is it potential that RFP will never be issued? I mean I guess there's always a potential, but I mean are you hearing anything through the people that you talk to at the VA that suggest this program might just be going away?

David Tusa: Well, I really can't speak for the VA. What I can say is that our solution, our TakeAway Envelope we think is, again, very uniquely positioned to be able to facilitate or meet all of their needs. And we think we're well-positioned. But really I can't speak for them and timing.

Brian Butler: All right, thank you very much guys for taking my questions.

David Tusa: Thank you.

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

Kevin Steinke: Good morning. I just wanted to talk a little bit more about the retail market. You highlighted some higher sales of both Complete Needle Collection as well as TakeAway. Are those restocking orders for existing customers? And can you just kind of give some overall commentary on how those two products are progressing?

David Tusa: The majority of those orders are restocking orders for existing customers. I'll tell you, Kevin, we've been pleased with the fact that both of these products are in pretty much all of the retail chains that you can run into while you're out and about, all the key ones, and a lot of the regionals. The one area where we have been disappointed is on the return rate of that Complete Needle. The Complete Needle we've sold, what is it, 300,000 to 400,000 of these units out to the retail? That's a product where we placed some of the revenue on the backside with the return. And the return rate has been lower than what we had expected. So what we do is we work with the retailers, and we work with pharmaceutical manufacturers on sponsorship, and we work to try to put initiatives in place to subsidize or make it much more cost effective for that return. So it's been lower than what we'd expected on the backside, but as far as getting units out in retail and selling the actual units or putting them on the shelf, we've been pretty pleased.

Kevin Steinke: Okay, okay, thanks for that. Any more activity in the sponsorship pipeline? Do you continue to work on new opportunities there?

David Tusa: We do. We continue to work on new opportunities and we have one in particular that we're working on right now, and hopefully we'll know something over the next month or two. But it could be a potential program that could provide sponsorship—could move more units.

Kevin Steinke: Okay. And you also highlighted some good growth in the assisted living/ hospitality market this quarter. Is there anything in particular to highlight or delve into further there? Is, perhaps, some of that growth being helped by the alliance? Or is that just maybe more one-time in nature?

David Tusa: That—so far, it's not the alliance, it's just a business. It's just the assisted living/ long-term care is a great market, it's growing, and our solution offerings are just a perfect fit for that market. I think we're doing a better job of selling more to existing customers as well as to new customers. I've always liked this market. Again, we can say the assisted living/ long-term care market is 30% to 50% over where they're spending right now, and then that market is growing. So it's just a good market for us and we expect to see further growth in the coming quarters.

Kevin Steinke: Okay, great. You also highlighted in the press release the addition of a new Senior VP of Sales. I'm just wondering what he is going to focus on, and how you see that benefiting your business going forward?

David Tusa: That's a good question, Kevin. Berkley brings to the Company experience in a couple of different areas that I think will bode very well for him and the Company. One is that he has a lot of experience on the complex sales, as he has done a lot of that in the past in his career, and I think that makes him a good fit. As well as, he has experience in the medical waste arena, and in the medical waste arena we're going to be closing large deals. So his focus in coming into the Company, the primary focus, is to focus on moving the large deals. Going through our prospect list and improving the prospects by further research and identification of prospects, and then working with our sales team to move these deals forward and close these deals.

So he understands complex sales, and he also understands very well both the pickup and the mail back that can be integrated into an offering. So we're glad he's here, and we think that with him and the field sales team, we could drive some closure on some of these larger deals.

Kevin Steinke: Okay great. Thanks for answering my questions.

David Tusa: Thanks, Kevin.

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

George Walsh: Good morning, David. I just had a question regarding the analysis by sales channel that you have in the news release. It would seem, just rhetorically, that direct sales and the online sales in particular would be growing above the distributor sales, but it seems more of the distributor sales is where more of the growth is coming from. Just as a trend relative to your marketing focus, maybe I'm looking at it the wrong way in terms of the categories there, but it just seems like more would be happening relative to your mix in terms of your sales channel.

David Tusa: Well, it's really difficult to look at it that way, George. If you look at the nine months ended, you see the distributor sales are up 9%. Well, distributors impact the home healthcare market. A lot of the home healthcare business runs through a distributor, too, but also with the retail business. Flu shot business; we have a very large distributor in the flu shot arena. So, if flu shots were up and flu shots business happen to be going through this particular distributor, then it will show as distributor sales are up. It's really difficult to draw conclusions between the switch. You could have a customer that says, "Great, sign me up but I want to run to this particular distributor." That's fine with us, as long as we get the business.

George Walsh: Okay. And as far as the pipeline with Daniels, is there anything you can kind of quantify that a little bit in terms of geographic locations or the number of prospects within that, maybe an average size or something?

David Tusa: What we work on in that pipeline, and we mentioned a $30 million-plus pipeline, but that's focused on nationwide deals. So we're focused on deals where the alliance can service a customer across the country. And that's very important, because, again, we think we're only one of two Companies that can do that. The alliance affects many of our markets. It's not just one market. It's many of the markets, and if I had to look from an average deal size, you're probably looking somewhere in probably the $500,000 area that we would focus on.

George Walsh: Okay. And do you think you'd get these in terms of getting a national contract or you'd get a regional, something regionally to start and then it would roll out, or is it something where you'd get a national program?

David Tusa: It's a national. And you can understand that from a customer perspective. When a customer launches a program, they want consistency in all of their branches and all of their facilities in what they're doing. So when you're going to launch it, you're either going to launch it across the country, or you're probably not going to launch it all.

George Walsh: Okay. And what do you think the biggest need is they have? Is it cost? Is it—they need things run better? What's the thing as you're talking to your potential customers?

David Tusa: I think it's a couple of things. I mentioned earlier the awareness. I think, first of all, we're making them aware that there is another nationwide player in the country that can provide them with great service and great pricing. I think that's first and foremost, because a lot of them don't know that there's a competitor out there to their current provider. Believe it or not, that's one of the first drivers. And then when we get in, it's about the operational efficiency. It's about the combined offering, and I said this on a number of calls, when you can go into a facility and maybe the mail-back is great in 60% or 70% of facilities but maybe you have to have a pickup in 30% or 40% because volumes are too large in certain locations, we customize a solution that best fits their company and saves them money. And I think we're the first ones that have really done that. And I think that gets attention, as well.

So cost savings are important, as well, as I mentioned earlier. It seems in all of our markets that the prospective customers are really being driven by cost savings because of the uncertainty in healthcare, and I think that's helping us—I think that's helping us well, but we have no lack of opportunities that we're chasing on a nationwide basis.

George Walsh: And who's the guy going and speaking to these large clients and—or potentials, would it be you, Berkley…?

David Tusa: We all are; it's Berkley, it's myself, and we get a couple of key field sales people that will be out talking with them, as well. So we're very busy in meeting with prospective customers. And it's a good day when we each have to go to a different prospect, because they happen all on the same day.

George Walsh: Okay. And does this awareness, is that mean a larger marketing budget as you go forward relative to this?

David Tusa: It could be. We're looking for more creative ways to get the word out that there's a nation-wide provider that can manage all of the medical waste streams in all-size facilities, and it's more marketing. The other thing is really just getting out and meeting with some of these larger customers. George, until we had this alliance, we weren't able to do that. So now, we're able to get out and get in front of the larger customers, and you can do marketing all day long, but unless you get face-to-face, across the table, in front of a prospective customer, especially one that's going to be large, say a half a million or more, then you're probably not going to get the business with marketing. So we're spending more time with better prospecting, refining the prospecting and just getting out on the road and getting in front of these large customers.

George Walsh: Okay, all right, thanks David.

Operator: Thank you, once again ladies and gentlemen, if you do have a question please press star, one on your telephone keypad at this time.

Our next question is coming from the Joe Munda of Sidoti & Company. Please proceed with your question.

Joseph Munda: Yes, David, just a quick follow-up. How many direct reps do you have, currently?

David Tusa: We have about six direct reps. We're actually in a continual interview mode. Actually, we have two open positions right now that we're actively interviewing for. So we'll probably get that up to eight, and then as we start to see success then we'll look to bring more in.

Joseph Munda: And then just a follow-up to the other caller's question with the marketing budget, or the SG&A line, you guys spoke of $2.2 million a quarter here. So is that devoted mostly towards the marketing effort or is that going to be devoted towards the hiring of new reps? How should we look at that?

David Tusa: Probably the hiring of new reps since we're going after these larger deals and we need face-to-face meetings. Again, we can market all day long, but unless we have solid field reps sitting across the table from prospective customers, then they we're probably not going to get the deals. So I would see it more in terms of adding additional field sales reps.

Joseph Munda: Okay. And then in terms of Berkley's role at Waste Management, was it a similar platform to what you guys have now, or was he focused on one particular market, whether it be professional, pharmaceutical, etc.? Was he in charge of the entire platform?

David Tusa: What he was focused on was primarily the hospital and large healthcare facilities, as he'll tell you. He was focused primarily on the pickup, and what they did is if they had to potentially integrate the mail back, they would.

We're kind of the opposite here. We lead with the mail back and bring in the pickup as needed. But he was very successful over there in landing some large deals. He understands the market, understands the business and was really able to quickly, upon landing, to start to work with the field sales force to get out there and work on moving deals.

Joseph Munda: Okay. So in our view, is it safe to assume that if his background is in that space, that's where the focus of growth is going to occur for you guys going forwards?

David Tusa: I'm sorry, Joe, the bulk of?

Joseph Munda: Of sales growth for you guys going forward if he's familiar.

David Tusa: Well, sure, I mean, the sales growth I think are going to come from the larger opportunities. A typical large opportunity is one where there are multiple facilities and maybe we could facilitate 60% to 80% with the mail-back and the remainder with the pick-up. So that's where I think you're going to see the opportunities, the larger opportunities we'll land will look like that.

Joseph Munda: Okay, all right. Thank you, David.

David Tusa: You bet.

Operator: Thank you, at this time I would like to turn the floor back over to Management for any additional or closing comments.

David Tusa: Thank you, Operator. We just want to say thank you for your participation in the call. We appreciate your continued support of the Company, and we'll talk to everyone on the next call. Thank you.

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

END