SHARPS COMPLIANCE CORP
Form 10QSB
February 14, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2001

| | TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from ____________ to ____________.

Commission File Number: 0-22390

SHARPS COMPLIANCE CORP.
(Name of Small Business Issuer in its Charter)

DELAWARE	74-2657168
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
9050 KIRBY DRIVE, HOUSTON, TEXAS	77054
(Address of principal executive offices)	(Zip Code)

(713) 432-0300
Registrant's telephone number

Securities Registered under 12(g) of the Exchange Act:	Title of Each Class
	Common Stock, $0.01 Par Value

Check whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes |X| No | |

Number of shares outstanding of the issuer's Capital Stock as of January 28, 2002: 9,805,356

Transitional Small Business Disclosure Format (check one): Yes | | No |X|

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

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ITEM 1. FINANCIAL STATEMENTS

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS	DECEMBER 31, 2001	JUNE 30 2001
	(UNAUDITED)	
CURRENT ASSETS:		
Cash and cash equivalents	$ 99,362	$ 107,27

Short-term investments	947,188	237,94
Accounts receivable, net	623,469	709,27
Inventory	436,759	223,20
Prepaids and other	86,454	149,74
Total current assets	2,193,231	1,427,43
PROPERTY AND EQUIPMENT, net	246,578	221,42
INTANGIBLE ASSETS, net	30,369	40,49
NOTE RECEIVABLE FROM STOCKHOLDER	320,000	320,00
OTHER ASSETS	24,494	11,69
Total assets	$ 2,814,673	$ 2,021,04
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 578,807	$ 560,95
Accrued liabilities	134,749	131,94
Current portion of accrued disposal costs	766,027	662,63
Current portion of deferred revenue	102,571	85,84
Current maturities of notes payable	43,016	129,29
Total current liabilities	1,625,170	1,570,67
LONG TERM ACCRUED DISPOSAL COSTS, net of current portion	286,248	253,51
LONG TERM DEFERRED REVENUE, net of current portion	48,269	40,39
NOTES PAYABLE, net of current maturities	26,966	2,74
Total liabilities	1,986,653	1,867,33
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value per share; 1,000,000 shares authorized; -0- shares issued and outstanding	--	-
Common stock, $.01 par value per share; 20,000,000 shares authorized; 9,805,356 and 8,705,356 respective shares issued and outstanding for the periods	98,053	87,05
Additional paid-in capital	6,829,813	5,572,59
Accumulated deficit	(6,099,846)	(5,505,93
Total stockholders' equity	828,020	153,71
Total liabilities and stockholders' equity	$ 2,814,673	$ 2,021,04

The accompanying notes are an integral part of these consolidated financial statements.

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
REVENUES:		
Distribution, net	$1,420,448	$1,058,754
Environmental	57,013	37,369
Consulting services	4,240	50,700
Total revenues	1,481,701	1,146,823
COSTS AND EXPENSES:		
Cost of revenues	1,027,582	724,610
Selling, general and administrative	865,253	809,094
Depreciation and amortization	33,094	29,323
Operating loss	(444,228)	(416,204)
INTEREST INCOME, net	10,606	8,389
Net loss	$ (433,622)	$ (407,815)
BASIC AND DILUTED NET LOSS PER SHARE	$ (.04)	$ (.05)
SHARES USED IN COMPUTING NET LOSS PER SHARE, BASIC AND DILUTED	9,661,878	8,626,444

The accompanying notes are an integral part of these consolidated financial statements.

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	FOR THE SIX MONTHS ENDED DECEMBER 31,	
	2001	2000
REVENUES:		
Distribution, net	$ 2,916,207	$ 2,006,879
Environmental	260,369	43,917
Consulting services	7,536	85,700
Total revenues	3,184,112	2,136,496
COSTS AND EXPENSES:		
Cost of revenues	2,171,760	1,260,839
Selling, general and administrative	1,564,295	1,526,292
Depreciation and amortization	65,284	54,662
Operating loss	(617,227)	(705,297)
INTEREST INCOME, net	23,320	18,655
Net loss	$ (593,907)	$ (686,642)
BASIC AND DILUTED NET LOSS PER SHARE	$ (.06)	$ (.08)
SHARES USED IN COMPUTING NET LOSS PER SHARE, BASIC AND DILUTED	9,183,617	8,289,487

The accompanying notes are an integral part of these consolidated financial statements.

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE SIX MONTHS ENDED DECEMBER 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		

Net loss	$ (593,907)	$ (686,642)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities-		
Depreciation and amortization	65,284	54,662
Changes in operating assets and liabilities-		
Decrease in accounts receivable	85,805	2,098
(Increase) in inventory	(213,552)	(64,564)
(Increase) Decrease in prepaids and other assets	50,486	25,229
Increase (Decrease) in accounts payable and accrued liabilities	20,654	(50,826)
Increase in accrued disposal costs	136,122	28,654
Increase in deferred revenue	24,601	101,162
Net cash (used in) operating activities	(424,507)	(590,227)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(80,313)	(83,607)
Sales of short-term investments	237,941	665,984
Purchases of short-term investments	(947,188)	(1,000,000)
Net cash (used in) investing activities	(789,560)	(417,623)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable	(62,061)	(53,627)
Issuance of common stock	1,268,215	1,000,000
Net cash provided by financing activities	1,206,154	946,373
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,913)	(61,477)
CASH AND CASH EQUIVALENTS, beginning of period	107,275	153,346
CASH AND CASH EQUIVALENTS, end of period	$ 99,362	$ 91,869

The accompanying notes are an integral part of these consolidated financial statements.

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NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BUSINESS:

ORGANIZATION

The accompanying condensed consolidated financial statements include the accounts of Sharps Compliance Corp. ("SCC") (formerly U.S. Medical Systems, Inc.) and its wholly owned subsidiaries, Sharps Compliance, Inc., dba Sharps Compliance, Inc. of Texas ("SCI"), Sharps e-Tools.com, Inc. ("Sharps e-Tools"), and Sharps Environmental Services, Inc., dba Sharps Environmental Services of Texas, Inc. ("Sharps Environmental Services") (collectively, "Sharps" or the "Company"). All significant intercompany accounts and transactions have been eliminated in consolidation.

BUSINESS

Sharps focuses on developing cost-effective, logistical and educational solutions for healthcare, hospitality and residential markets. These solutions include the Sharps Disposal by Mail(TM) System, Trip LesSystem(TM), SureTemp Totes, Pitch It(TM) IV Poles, Sharps e-Tools and Sharps Environmental Services. Sharps products and services are provided primarily to create cost and logistical efficiencies. These products and services facilitate compliance with state and federal regulations by tracking, incinerating and documenting the disposal of medical waste. Additionally, these services facilitate compliance with educational and training requirements required by federal, state, local and regulatory agencies.

Waste generators who use the Sharps Disposal by Mail(TM) System are responsible for mailing the systems to the Panola County Resource Recovery Facility (the "Disposal Facility") for incineration. Effective July 1, 2000, the Company entered into an agreement with the City of Carthage, Texas, and Panola County (collectively, the "City") to manage and operate the Services Disposal Facility. The length of the agreement is three years, and Sharps is responsible for maintaining the Disposal Facility as required by federal, state and/or local regulatory agencies. Prior to July 1, 2000, Sharps paid the City to perform the incineration function on Sharps' behalf. Sharps is also responsible for paying the postage costs associated with the Sharps Disposal by Mail(TM) System being mailed to the Disposal Facility by the waste generators.

Prior to July 1, 2000, Sharps recorded accrued disposal costs for both postage and incineration based on the number of Sharps Disposal by Mail(TM) Systems sold that management estimated would eventually be returned for incineration. However, for sales subsequent to June 30, 2000, Sharps accrues only for estimated postage costs as the Company assumed operation of the Disposal Facility effective July 1, 2000. For sales subsequent to June 30, 2000, deferred revenue is recorded for non-refundable payments received for which the incineration services have not been performed, and incineration costs are expensed as incurred. The amount deferred is based on objective evidence of the value of the services not performed. Sharps estimates returns of the Sharps Disposal by Mail(TM) Systems based on historical experience. The amount and timing of accrued disposal costs are adjusted prospectively for revisions in the estimated disposal costs and return rate, if any. Depending upon the experience of Sharps, such revisions could be significant. As of December 31, 2001, the Company has reclassified a portion of its disposal liability as long-term, based on historical experience and management's estimate of when returns of the Sharps Disposal by Mail(TM) System will occur. During the six months ended December 31, 2001 and 2000, the Company accrued $405,553 and $362,143, respectively, for estimated disposal costs and funded $303,334 and $333,489, respectively, of actual disposal costs.

Sharps continues to sole-source each of its transportation and software development functions. Sharps may be affected by its dependence on the suppliers of these functions. Management believes the risk is mitigated by the long-standing business relationships with and reputation of Sharps' suppliers. Although there are no assurances with regard to the continued future business associations after expirations of certain agreements between Sharps and its suppliers, management believes that alternative sources would be available at similar costs due to the generic nature of the products and services offered.

Sharps has incurred losses from operations since its inception. The future success of Sharps is dependent upon its ability to identify and penetrate additional markets for its products and services, continuity of its distributorship agreements and maintaining an agreement with a disposal facility. On October 12, 2001, the Company completed a private placement of 1,100,000 shares of its common stock for net proceeds of $1.2 million. If the Company would require additional financing to meet its operating cash flow needs, Management believes that it will be successful in raising such financing. Management believes that the Company's current resources will be sufficient to fund operations through the fiscal year 2002.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and, accordingly, do not include all information and footnotes required under accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position of the Company as of December 31, 2001, the results of its operations for the six months ended December 31, 2001 and 2000, and its cash flows for the six months ended December 31, 2001 and 2000. The results of operations for the six months ended December 31, 2001, are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2002. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB for the year ended June 30, 2001.

3. REVENUE RECOGNITION

Sharps has adopted Staff Accounting Bulletin No. 101, "Revenue Recognition" ("SAB No. 101"), which provides guidance related to revenue recognition based on interpretations and practices followed by the Securities and Exchange Commission. Adoption of SAB No. 101 did not have a material effect on the Company's financial position or results of operations, although its revenue recognition has been modified for a change in business that occurred in July 2000 (See Note 1).

Prior to July 1, 2000, product sales were recognized as revenue when the Sharps Disposal by Mail(TM) System was delivered and accepted by the customer. Effective July 1, 2000, the Company assumed responsibility for operation of the Disposal Facility and, accordingly, began deferring a portion of the product sales revenue associated with providing the incineration service. Deferred revenue is recognized when the Sharps Disposal by Mail(TM) Systems sold are returned to the Disposal Facility and incinerated. The deferral amount is based on objective evidence of fair value for the incineration function, based on sales of this service to other third parties. Further, the deferral amount is based on the number of Sharps Disposal by Mail(TM) Systems that management estimates will eventually be incinerated at the Disposal Facility. Deferred revenue will be adjusted prospectively for revisions in the estimated return rate, if any. Depending upon the experience of the Company, such revisions could be significant.

4. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board (FASB) issued SFAS No.

143, "Accounting for Asset Retirement Obligations." SFAS No. 143 covers all legally enforceable obligations associated with the retirement of tangible long-lived assets and provides the accounting and reporting requirements for such obligations. SFAS No. 143 is effective for the Company's fiscal year beginning July 1, 2002. The Company is currently evaluating the impact that adoption of this standard will have on its financial statements.

In August 2001, the FASB Issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The FASB's new rules on asset impairment supersede SFAS No. 121. "Accounting for the Impairment of Long Lived Assets and for Long Lived Assets to be Disposed of" and will be effective for the Company's fiscal year beginning July 1, 2002. The Company is currently evaluating the impact that adoption of this standard will have on its financial statements.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS QUARTERLY REPORT ON FORM 10-QSB CONTAINS CERTAIN FORWARD-LOOKING STATEMENTS AND INFORMATION RELATING TO SCC AND ITS SUBSIDIARIES THAT ARE BASED ON THE BELIEFS OF THE COMPANY'S MANAGEMENT AS WELL AS ASSUMPTIONS MADE BY AND INFORMATION CURRENTLY AVAILABLE TO THE COMPANY'S MANAGEMENT. WHEN USED IN THIS REPORT, THE WORDS "ANTICIPATE," "BELIEVE," "ESTIMATE" AND "INTEND" AND WORDS OR PHRASES OF SIMILAR IMPORT, AS THEY RELATE TO SCC OR ITS SUBSIDIARIES OR COMPANY MANAGEMENT, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS REFLECT THE CURRENT RISKS, UNCERTAINTIES AND ASSUMPTIONS RELATED TO CERTAIN FACTORS INCLUDING, WITHOUT LIMITATIONS, COMPETITIVE FACTORS, GENERAL ECONOMIC CONDITIONS, CUSTOMER RELATIONS, RELATIONSHIPS WITH VENDORS, GOVERNMENTAL REGULATION AND SUPERVISION, SEASONALITY, DISTRIBUTION NETWORKS, PRODUCT INTRODUCTIONS AND ACCEPTANCE, TECHNOLOGICAL CHANGE, CHANGES IN INDUSTRY PRACTICES, ONETIME EVENTS AND OTHER FACTORS

DESCRIBED HEREIN. BASED UPON CHANGING CONDITIONS, SHOULD ANY ONE OR MORE OF THESE RISKS OR UNCERTAINTIES MATERIALIZE, OR SHOULD ANY UNDERLYING ASSUMPTIONS PROVE INCORRECT, ACTUAL RESULTS MAY VARY MATERIALLY FROM THOSE DESCRIBED HEREIN AS ANTICIPATED, BELIEVED, ESTIMATED, EXPECTED OR INTENDED. THE COMPANY DOES NOT INTEND TO UPDATE THESE FORWARD-LOOKING STATEMENTS.

GENERAL

On October 12, 2001, the Company significantly improved its working capital position through the completion of a private placement of 1,100,000 shares of its common stock for net proceeds of $1,200,000. This strengthening of Sharps balance sheet has allowed the Company to invest our sales resources in new markets.

Revenues increased 49% in the first six months of fiscal year 2002 over the comparable period of 2001, primarily due to increased acceptance of the Sharps Disposal by Mail(TM) System. Sharps' SureTemp Totes also contributed significantly, as did retail sales as Sharps added three new distributors to service the residential market. The Company expects these revenue trends to continue during fiscal 2002.

In the second half of the year, Sharps expects to increase dramatically the availability of the Sharps Disposal by Mail(TM) System in the residential market. National distribution will place Sharps mailback products on retail shelves, nationwide, which should result in further penetration of the residential market. Additionally, the Company should begin recognizing revenues from the assisted living market in the second half of fiscal year 2002. Sharps entered the assisted living market in February of 2002. The Company believes that assisted living providers are an excellent market for the Sharps Disposal By Mail(TM) System. Their residents are much more likely than the general populous to self-inject, thereby generating a stream of medical waste requiring proper disposal. The volume produced by each facility is particularly suited to disposal in Sharps Disposal by Mail(TM) System.

RESULTS OF OPERATIONS

The discussion below analyzes changes in the consolidated operating results and financial condition of the Company during the three months ended December 31, 2001 and 2000.

The following table sets forth, for the periods indicated, certain items from the Company's Condensed Consolidated Financial Statements of Operations, expressed as a percentage of revenue:

	THREE MONTHS ENDED DECEMBER 31,		SIX MONTHS ENDED DECEMBER 31,	
	2001	2000	2001	2000
Net revenues	100%	100%	100%	100%
Costs and expenses:				
Cost of revenues	(69%)	(63%)	(68%)	(59%)
Selling, general and administrative	(58%)	(71%)	(49%)	(71%)
Depreciation and amortization	(3%)	(3%)	(2%)	(3%)
Total operating expenses	(130%)	(137%)	(119%)	(133%)
Loss from operations	(30%)	(37%)	(19%)	(33%)
Total other income	1%	1%	1%	1%
Net loss	(29%)	(36%)	(19%)	(32%)

QUARTER ENDED DECEMBER 31, 2001, COMPARED TO QUARTER ENDED DECEMBER 31, 2000

The Company's distribution revenues were approximately $1,420,000 for the quarter ended December 31, 2001, compared to revenues of approximately $1,059,000 for the quarter ended December 31, 2000. The increase in revenue is attributed primarily to the increased acceptance of the Company's Sharps Disposal by Mail(TM) System and SureTemp Totes.

Environmental revenue was approximately $57,000 for the quarter ended December 31, 2001, compared to $37,000 for the quarter ended December 31, 2000. The increase in revenue was primarily affected by the amounts of Deferred Revenue that

was recognized for the disposal of the Sharps Disposal by Mail(TM) Systems that were being disposed of over the same period. Disposal of third party waste for the periods were 105,495 lbs. and 217,661 lbs. or $22,000 and $38,000, for the quarters ending December 31, 2001 and 2000, respectively. Repairs and maintenance at the Facility in the current period affected this slow down in the disposal of third party waste.

Cost of Revenue increased 6% (as a percentage of revenue) during the quarter ended December 31, 2001, compared to the quarter ended December 31, 2000. The increase is due to incinerator facility operational inefficiencies, repair and maintenance, incremental costs associated with higher shipping and freight costs, lower blended gross profit margin due to product mix sold during the quarter (primarily attributed to the SureTemp Totes).

Selling, general and administrative expenses increased to approximately $865,000 (or 58% of revenue) for the quarter ended December 31, 2001, from $809,000 (or 71% of revenue) for the quarter ended December 31, 2000. The $56,000 increase is a result of increased professional fees, stock option expense, insurance and commission costs, which are partial offset against lower travel and entertainment costs.

The Company's net loss from operations was approximately $433,000 ($0.04 per share) for the quarter ended December 31, 2001, compared to $408,000 ($0.05 per share) for the quarter ended December 31, 2000.

SIX MONTHS ENDED DECEMBER 31, 2001 COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2000

The Company's distribution revenues were approximately $2.9 million for the period ended December 31, 2001, compared to revenues of approximately $2.0 million for the period ended December 31, 2000. The increase in revenue is attributed primarily to the increased acceptance of the Company's Sharps Disposal by Mail(TM) System with the addition of one new distributor in the homecare market and entering the retail market by adding three new distributors to service the residential customer and SureTemp Totes.

Environmental revenue was approximately $260,000 for the period ended December 31, 2001, compared to $44,000 for the period ended December 31, 2000. The increase was due to a short-term service contract with a third party that ended in September 2001. Additionally, the period ended December 31, 2000, was the second period of operation of the facility.

Cost of Revenue increased 9% (as a percentage of revenue) during the period ended December 31, 2001, compared to the period ended December 31, 2000. The increase is due to operational inefficiencies and incremental costs associated with a short-term service contract with a third party for Incinerator Services and higher shipping costs.

Selling, general and administrative expenses increased to approximately $1,564,000 (or 49% of revenue) for the period ended December 31, 2001, from $1,526,000 (or 71% of revenue) for the period ended December 31, 2000. The $38,000 increase is a result of increased professional fees, stock option expense, insurance and commission costs, which are partial offset against lower Travel and Entertainment Costs.

The Company narrowed the net loss from operations from 2000 to 2001 by approximately $88,000, or 13%. This improvement is a result of continued revenue growth of the Sharps Disposal by Mail(TM) Systems and increased Incinerator Services revenues, which was partially offset by an increase in cost of revenue, primarily related to incineration activities with a third party, operational inefficiencies at the incinerator facility and higher shipping costs.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2001, the Company had approximately $1,046,000 in cash and short-term investments, and current assets exceed current liabilities by approximately $568,000. On October 12, 2001, the Company significantly improved its working capital position through the completion of a private placement of 1,100,000 shares of its common stock for net proceeds of $1.2 million.

Capital expenditures during the quarter ended December 31, 2001, were approximately $22,656 and consisted primarily of purchases for improvements to the Disposal Facility.

At December 31, 2001, total long-term debt outstanding was approximately $27,000 for the Company.

Sharps has incurred losses from operations since its inception. The future success of Sharps is dependent upon its ability to identify and penetrate additional markets for its products and services, continuity of its distributorship agreements and maintaining an agreement with a disposal facility. On October 12, 2001, the Company completed a private placement of 1,100,000 shares of its common stock for net proceeds of $1.2 million. If the Company would require additional financing to meet its operating cash flow needs, Management believes that it will be successful in raising such financing. Management believes that the Company's current resources will be sufficient to fund operations through the fiscal year 2002.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Sharps is involved in certain legal actions and claims arising in the normal course of business. While the outcome of these matters cannot be predicted with certainty, management believes these matters will not have a material adverse effect on Sharps' consolidated financial position, results of operations or liquidity.

ITEM 2. CHANGES IN SECURITIES

On October 12, 2001, the Company approved the sale of 1,100,000 shares of common stock, $0.01 par value per share, in a private placement sale of the securities. This private placement was offered and sold only to individuals or companies who were accredited as defined by Rule 501 of Regulation D. The proceeds from the sale of the securities were $1,210,000 in cash.

In relation to the aforementioned sale of securities on October 12, 2001, the Company issued fully vested stock options for 50,000 shares at a strike price of $1.10, in lieu of commissions. The result of which was the recognition of $48,513 in expense related to this issue.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders held on November 19, 2001, the following matters were adopted by the margins indicated:

1. To elect directors Lee Cooke, Parris H. Holmes, Dr. Burt Kunik and Philip C. Zerrillo to serve until the 2002 Annual Meeting of Stockholders.

For:	7,897,584
Against:	340

Abstain: 255

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a) Exhibits

The following exhibit is filed as part of this report.

Exhibit No.	Description
None	

b) Reports on Form 8-K

None.

ITEMS 3, AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereto duly authorized.

REGISTRANT:

SHARPS COMPLIANCE CORP.

Dated: February 14, 2002 By: /s/ Gary L. Shell
Vice President and Chief Financial Officer

Dated: February 14, 2002 By: /s/ Dr. Burt Kunik
President and Chief Executive Officer