MESSMER HAROLD M JR
Form 4
October 26, 2010

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MESSMER HAROLD M JR

(Last) (First) (Middle)

2884 SAND HILL ROAD

(Street)

MENLO PARK, CA 94025

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HALF ROBERT INTERNATIONAL INC /DE/ [RHI]

3. Date of Earliest Transaction (Month/Day/Year)
10/24/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman & CEO

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	10/24/2010		M		571,410	A	$ 22.5625	2,706,798	D	
Common Stock	10/24/2010		F		518,988	D	$ 27.36	2,187,810	D	
Common Stock								583,881	I	By GRATs (1)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

displays a currently valid OMB control number.

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount o Number o Shares
Option (Right to Buy)	$ 22.5625	10/24/2010		M			571,410	12/31/2004	01/23/2011	Common Stock	571,41

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MESSMER HAROLD M JR 2884 SAND HILL ROAD MENLO PARK, CA 94025	X		Chairman & CEO	

Signatures

/s/ Harold M. Messmer, Jr.	10/26/2010
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Reflects distributions by various GRATs of shares to Reporting Person in February, May, and July 2010. All of such GRATs are for the benefit of relatives of Reporting Person and have Reporting Person as a Trustee. As a result of such distributions, certain shares that were previously reported as indirectly held are now reported as directly held.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0pt; TEXT-INDENT: 0pt; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align="left">Net income per common share
Basic

$

0.04

$

0.07

Diluted

$

0.04

$

0.07

Employee stock options excluded from computation of diluted income per share amounts because their effect would be anti-dilutive

150,000

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NOTE 9 - STOCK TRANSACTIONS

During the quarter ended March 31, 2008 stock options to purchase 320,000 of common shares were exercised. Total proceeds to the Company were $354,850 (average price of $1.11 per share). During the quarter ended March 31, 2007 stock options to purchase 992,802 of common shares were exercised. Total proceeds to the Company were $748,767 (average price of $0.75 per share).

During the nine months ended March 31, 2008, stock options to purchase 506,730 shares of common stock were exercised. Total proceeds to the Company were $507,890 (average price of $1.00 per share). During the nine months ended March 31, 2007, stock options to purchase 1,153,790 were exercised. Total proceeds to the company were $869,407 (average price of $0.75 per share).

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-QSB contains certain forward-looking statements and information relating to Sharps 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 Sharps 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

Sharps is a leading developer and manufacturer of cost effective solutions for improving safety, efficiency and costs related to the proper disposal of medical waste by industry and consumers. Sharps primary markets include healthcare, retail, agriculture, hospitality, professional, industrial, commercial, governmental and pharmaceutical. The Company's products and services represent solutions for industries and consumers dealing with the complexity of managing regulatory compliance, environmental sensitivity, employee and customer safety, corporate risk and operating costs related to medical waste disposal. Sharps is a leading proponent and participant in the development of public awareness and solutions for the safe disposal of needles, syringes and other sharps in the community setting.

The Company's primary products include Sharps Disposal by Mail System®, Pitch-It™ IV Poles, Trip LesSystem®, Sharps Pump Return Box, Sharps Enteral Pump Return Box, Sharps Secure®, Sharps SureTemp Tote®, IsoWash® Linen Recovery System, Biohazard Spill Clean-Up Kit and Disposal System, Sharps e-Tools, Sharps Environmental Services and Sharps Consulting. Some products and services facilitate compliance with state and federal regulations by tracking, incinerating and documenting the disposal of medical waste. Additionally, some products and services facilitate compliance with educational and training requirements required by federal, state, and local regulatory agencies.

RESULTS OF OPERATIONS

The following analyzes changes in the consolidated operating results and financial condition of the Company during the three and nine months ended March 31, 2008 and 2007.

The following table sets forth, for the periods indicated, certain items from the Company's Condensed Consolidated Statements of Income (Loss), expressed as a percentage of revenue (unaudited):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2008	2007	2008	2007
Net revenues	100%	100%	100%	100%
Costs and expenses:				
Cost of revenues	(61)%	(58)%	(59)%	(57)%
Selling, general and administrative	(41)%	(33)%	(35)%	(31)%
Special Charge	-	(5)%	-	(2)%
Depreciation and amortization	(2)%	(2)%	(2)%	(2)%
Total operating expenses	(104)%	(98)%	(96)%	(92)%
Income (Loss) from operations	(4)%	2%	4%	8%
Total other income	1%	1%	1%	1%
Net income (loss)	(3)%	3%	5%	9%

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THREE MONTHS ENDED MARCH 31, 2008 AS COMPARED TO THREE MONTHS ENDED MARCH 31, 2007

Total revenues for the three months ended March 31, 2008 of $2,927,700 increased by $34,049, or 1.2%, over the total revenues for the three months ended March 31, 2007 of $2,893,651. Billings by market are as follows:

	Three Months Ended March 31,		
	2008 (Unaudited)	**2007** (Unaudited)	**Variance** (Unaudited)
Billings by Market:			
Health Care	$ 1,734,401	$ 1,650,912	$ 83,489
Pharmaceutical	413,296	450,678	(37,382)
Hospitality	244,377	330,403	(86,026)
Professional	190,433	157,706	32,727
Commercial/Industrial	136,796	100,882	35,914
ProTec	106,920	93,424	13,496
Agriculture	96,848	98,073	(1,225)
Retail	43,951	49,413	(5,462)
Other	22,863	23,056	(193)
Government	17,759	43,158	(25,399)
Subtotal	3,007,644	2,997,705	9,939
GAAP Adjustment*	(79,944)	(104,054)	24,110
Revenue Reported	$ 2,927,700	$ 2,893,651	$ 34,049

*Represents the net impact of the revenue recognition adjustment required to arrive at reported GAAP revenue. Customer billings includes all invoiced amounts associated with products shipped during the period reported. GAAP revenue includes customer billings as well as numerous adjustments necessary to reflect, (i) the deferral of a portion of current period sales and (ii) recognition of certain revenue associated with product returned for treatment and destruction. The difference between customer billings and GAAP revenue is reflected in the Company's balance sheet as deferred revenue. See Note 3 "Revenue Recognition" in Part I, "Notes to Consolidated Financial Statements".

The increase in revenues is primarily attributable to increased billings in the Health Care ($83,489), Commercial/Industrial ($35,914), Professional ($32,727), and ProTec ($13,496) markets. These increases were partially offset by decreased billings in the Hospitality ($86,026), Pharmaceutical ($37,382), Government ($25,399), Retail ($5,462) and Agriculture ($1,225) markets. The increase in the Health Care market billings is a result of the growing number of patients in the health care industry and the increased utilization of the Sharps Disposal by Mail System® by home care branches. The increase in the Commercial/Industrial, Professional and ProTec markets is being driven by higher demand for the Company's products as industry and consumers become more aware of the proper disposal of medical sharps (syringes, lancets, etc.). The decrease in Hospitality is due to a large order completed in March 2007 for the Sharps Disposal by Mail System ® from a national hair care chain that is using the product to dispose of razor blades.

Cost of revenues for the three months ended March 31, 2008 of $1,786,892 was 61% of revenues. Cost of revenues for the three months ended March 31, 2007 of $1,681,437 was 58% of revenues. The decrease in gross margin is a result of increased costs, customers and product mix.

Selling, general and administrative ("S, G & A") expenses for the three months ended March 31, 2008 of $1,174,449, increased by $221,841, or 23%, over the S, G & A expenses for the three months ended March 31, 2007. The increase in S, G & A expense is primarily due to higher, (i) compensation expense ($92,519), (ii) professional fees ($41,112), (iii) non-cash stock-based compensation expense ($22,011) (iv) investor relations expenses ($21,931), (v) the cash portion of Board of Director compensation expense ($20,000) and (vi) office lease and related expense ($30,448). The increase in compensation expense was due primarily to the addition of personnel including increased sales and sales support staff. The professional fees increase is attributable to large contract sales initiative. The increase in investor relations expense is due to the Company's increased investor relations activity (conferences and presentations).

The Company generated an operating loss of ($103,325) for the three months ended March 31, 2008 compared to operating income of $69,293 for the three months ended March 31, 2007. The decrease in operating income is a result of the increase in S, G & A and decrease in Gross Margin as noted above.

Interest income increased from $16,133 to $20,565 as a result of higher cash balances for the respective periods.

The Company generated a pre-tax loss of $82,260 for the three months ended March 31, 2008 versus pre-tax income of $85,104 for the three months ended March 31, 2007. The decrease in the earnings for the period is a result of the increase in S, G & A and decrease in Gross Margin as noted above.

The Company reported a loss per share of ($0.01) for the three months ended March 31, 2008 versus earnings per share of $0.01 for the three months ended March 31, 2007. The reduction in diluted earnings per share is a result of decreased net income for the current fiscal year.

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NINE MONTHS ENDED MARCH 31, 2008 AS COMPARED TO NINE MONTHS ENDED MARCH 31, 2007

Total revenues for the nine months ended March 31, 2008 of $10,069,614 increased by $1,003,302, or 11%, over the total revenues for the nine months ended March 31, 2007 of $9,066,312. Billings by market are as follows:

	Nine Months Ended March 31,		
	2008 (Unaudited)	**2007** (Unaudited)	**Variance** (Unaudited)
Billings by Market:			
Health Care	$ 5,629,418	$ 5,367,774	$ 261,644
Retail	1,044,502	921,265	123,237
Hospitality	914,391	638,320	276,071
Pharmaceutical	869,579	507,611	361,968
Professional	529,934	432,758	97,176
Agriculture	363,846	439,978	(76,132)
ProTec	348,443	311,497	36,946
Other	107,136	103,888	3,248
Commercial/Industrial	413,044	417,736	(4,692)
Government	158,910	148,324	10,586
Subtotal	10,379,203	9,289,151	1,090,052
GAAP Adjustment*	(309,589)	(222,839)	(86,750)
Revenue Reported	$ 10,069,614	$ 9,066,312	$ 1,003,302

*Represents the net impact of the revenue recognition adjustment required to arrive at reported GAAP revenue. Customer billings includes all invoiced amounts associated with products shipped during the period reported. GAAP revenue includes customer billings as well as numerous adjustments necessary to reflect, (i) the deferral of a portion of current period sales and (ii) recognition of certain revenue associated with product returned for treatment and destruction. The difference between customer billings and GAAP revenue is reflected in the Company's balance sheet as deferred revenue. See Note 3 "Revenue Recognition" in Part I, "Notes to Consolidated Financial Statements".

The increase in revenues is primarily attributable to increased billings in the Pharmaceutical ($361,968), Hospitality ($276,071), Health Care ($261,644), Retail ($123,237), Professional ($97,176), ProTec ($36,946), Government ($10,586) and Other ($3,248) markets. These increases were partially offset by decreased billings in the Agriculture ($76,132) and Commercial/Industrial ($4,692) markets. The increase in the billings in the Pharmaceutical market is attributable to increased billings to a top ten pharmaceutical manufacturing customer under the previously announced $1.4 million purchase order. The increase in the Hospitality market reflects increased demand of the Sharps Disposal by Mail System® and Biohazard Spill Clean-Up Kit products by hotels, restaurants and assisted living facilities. The increase in the Health Care market billings is a result of the growing number of patients in the health care industry and the increased utilization of the Sharps Disposal by Mail System® by home care branches. The increase in the billings in the Retail market is a result of the use of the Company's Sharps Disposal By Mail System ® products in grocery stores and retail pharmacies to properly dispose of syringes utilized to administer flu and other inoculations. The decrease in the Agriculture market is primarily attributable to decreased demand of the Sharps Disposal by Mail System by a customer who provides the product to facilitate the injection of dairy cattle due to growing public concern over the use of hormones.

Cost of revenues for the nine months ended March 31, 2008 of $5,890,095 was 58% of revenues, which is consistent with the corresponding period of the prior year.

Selling, general and administrative ("S, G & A") expenses for the nine months ended March 31, 2008 of $3,514,876, increased by $683,724, or 24%, over the S, G & A expenses for the nine months ended March 31, 2007. The increase in S, G & A expense is primarily due to higher, (i) compensation expense ($240,950) (ii) office lease expense ($86,988), (iii) investor relations expenses ($82,238), (iv) sales and marketing related expenses ($71,779), (v) the cash portion of Board of Director compensation expense ($60,000), (vi) sales-related professional fees ($52,144), and (vii) non-cash stock-based compensation expense ($44,212). The increase in compensation expense was due primarily to the addition of personnel including increased sales and sales support staff. The increase in investor relations expense is due to the Company's increased investor relations activity (conferences, presentations, etc). The increase in travel is directly related to the Company's increased sales and marketing efforts. The professional fees increase is primarily for consulting work related to major sales initiatives.

The Company generated operating income of $471,342 for the nine months ended March 31, 2008 compared to $760,333 for the nine months ended March 31, 2007. The decrease in operating income is a result of the increase in S, G & A, partially offset by increased gross profit on increased revenue.

Other income included in the Company's statement of income for the nine months ended March 31, 2008 of $73,461 reflects an increase interest income of $45,404 and decrease in interest expense of $4,456. The increase in interest income is a result of higher cash balances during the respective periods. The reduction in interest expense is due to the lower corresponding capital lease balances. Other income for nine months ended March 31, 2007 also reflects the net proceeds of $32,500 from partial recovery and settlement of litigation.

The Company generated income before tax of $544,803 for the nine months ended March 31, 2008 versus a pre-tax income of $815,934 for the nine months ended March 31, 2007. The reduction in net income is due primarily to the increase in S, G & A for the respective periods.

The Company reported diluted earnings per share of $0.04 for the nine months ended March 31, 2008 versus diluted earnings per share of $0.07 for the nine months ended March 31, 2007. The reduction in diluted earnings per share is a result of, (i) decreased net income for the current fiscal year period and (ii) the adverse effect to earnings per share computation of a 1.5 million, or 13%, increase in the diluted shares outstanding (resulting from stock options exercised).

PROSPECTS FOR THE FUTURE

The Company continues to take advantage of the many opportunities in the markets served as communities, consumers and industries become more aware of the proper disposal of medical sharps (syringes, lancets, etc.). This education process was enhanced in March 2004 when the U. S. Environmental Protection Agency ("EPA") issued its new guidelines for the proper disposal of medical sharps (see www.epa.gov/epaoswer/other/medical/sharps.htm). Additionally, in July 2006 both the states of California and Massachusetts passed legislation designed to mandate appropriate disposal of sharps waste necessary to protect the general public and workers from potential exposure to contagious diseases and health and safety risks. In August 2007, the U.S. House of Representatives and U.S. Senate introduced bills 3251 and 1909, respectively, which would provide for Medicare reimbursement, under part D, for the safe and effective disposal of used needles and syringes. Among the methods of disposal recommended as part of the above noted regulatory actions are mail-back programs such as those marketed by the Company. The Company estimates that there are an estimated 2 billion used syringes disposed of in the United States outside of the hospital setting. Additionally, the Company estimates that it would require 30 - 40 million Sharps Disposal by Mail System® products to properly dispose of all such syringes, which would equate to a $1 billion small quantity generator market opportunity. Based upon the current level of sales, the Company estimates that this $1 billion market has only been penetrated by approximately 1% or less.

The Company continues to develop new products for all of its product lines. The Company believes its future growth will be driven by, among other items, (i) the positive impact and awareness created by the above noted regulatory actions as well as additional potential future legislation, (ii) the effects of the Company's extensive direct marketing efforts and (iii) continued brand awareness of the Sharps Disposal By Mail Systems®. The result of these direct marketing efforts was recognized with the receipt of the first major pharmaceutical manufacturer order, valued at $1.4 million, from a recognized and leading pharmaceutical manufacturer. The initial $0.45 million order was billed during March 2007 with fulfillment services to patients beginning in May 2007. In December 2007, an additional $400 thousand in product was shipped. In February 2008, the remaining approximate $400 thousand was billed, achieving virtually the entire contract value of $1.4 million. The Company is in discussions with this customer regarding renewal of the purchase order. Additionally, the Company is in discussion with several other pharmaceutical manufacturers regarding implementing similar patient support programs.

Demand for the Company's primary product, the Sharps Disposal by Mail System®, which facilitates the proper and cost-effective disposal of medical waste including hypodermic needles, lancets and other devices or objects used to puncture or lacerate the skin (referred to as "sharps"), has been growing rapidly in the small quantity generator sector because of its mail-back convenience and unique data tracking feature. In addition, targeted opportunities continue to expand as a result of the growing awareness of the need to properly handle sharps medical waste for safety and environmental concerns, the expanding need for self-injectable medications and the changing paradigm in the health industry.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by $78,207 to $2,212,359 at March 31, 2008 from $2,134,152 at June 30, 2007. The increase in cash and cash equivalents is primarily a result of cash generated from operations of $487,801 plus proceeds from the exercise of stock options of $507,890, partially offset by additions to property and equipment of $472,205, purchase of and improvements to treatment facility $394,832, intangible assets of $64,702 and payment on capital lease obligations of $1,809.

Accounts receivable decreased by $69,002 to $1,261,729 at March 31, 2008 from $1,330,731 at June 30, 2007.

Inventory increased by $165,990 to $529,995 at March 31, 2008 from $364,005 at June 30, 2007. This increase is attributable to timing of shipments from overseas for the Pitch-It IV Poles.

Property and equipment increased by $615,733 to $1,206,300 at March 31, 2008 from $590,567 at June 30, 2007. This increase is attributable to capital expenditures of $867,037, partially offset by depreciation expense of $179,169 for the nine months ended March 31, 2008 and rent abatement of $72,135 (recorded in conjunction with the purchase of the previously leased facility. The capital expenditures are attributable to the purchase of, (i) treatment facility and land of $350,000 (ii) custom software programming and new system implementation of $264,973, (iii) warehouse/operations-related equipment $109,145, (iv) treatment facility improvements of $69,863, (v) molds, dies and printing plates for production of $50,119, (vi) computer equipment of $18,193 and (vii) office furniture and equipment of $4,744. The custom software program was incurred to upgrade the Company’s financial and operations system, as well as the Company’s proprietary Sharps Tracer ™ system. The warehouse/operations-related equipment was related to equipment necessary to accommodate the in-house assembly of the Company’s products and racking for additional warehouse space. The treatment facility improvements are related to installing the autoclave technology and facility improvements. The molds and printing plates were procured for development of new product and additional production capacity. The computer equipment was purchased to facilitate the upgrade of outdated equipment.

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Accrued liabilities decreased by $391,400 to $222,451 at March 31, 2008 from $613,851 at June 30, 2007. The decrease is a result of (i) inventory received in warehouse and invoice received and paid in Accounts Payable ($164,863), (ii) payroll accrual ($88,812), (iii) Senior VP of Sales severance ($40,654), (iv) rebate accrual ($28,375), (v) contra payable for UPS refund ($20,000) and (iv) commission accrual ($11,797).

Stockholder’s equity increased by $1,106,085 from $2,169,125 at June 30, 2007 to $3,275,210 at March 31, 2008. This increase is attributable to (i) net income for the nine months ended March 31, 2008 of $537,919 and (ii) the effect of stock options to purchase 506,730 common stock exercised with proceeds of $507,890 (average exercise price of $1.00), (iii) the effect on equity of SFAS 123R expense of $44,212 and (iv) the excess tax benefits from stock-based award activity of $16,064.

Disposal Facility

In January 2008, Company purchased its previously leased disposal facility in Carthage, Texas. The purchase includes an incinerator with a maximum capacity of thirty (30) tons per day, a 12,000 square foot building and 4.5 acres of land.

Additionally, the Company has executed a purchase order for a state-of-the-art autoclave system and technology capable of treating up to seven (7) tons per day of medical waste at the same facility. Autoclaving is a process that treats medical waste with steam at high temperature and pressure to kill pathogens. An autoclave is environmentally cleaner and is a less costly method of treating most medical waste versus traditional incineration. The autoclave is expected to be placed in service in June of 2008.

With the addition of the autoclave, the Company believes it will own one of only approximately ten (10) permitted commercial disposal facilities in the country capable of treating all types of medical waste.

Sharps is also expanding its ability to dispose of unused medications and expired pharmaceutical waste including controlled substances. The Company has installed Drug Enforcement Agency (DEA) approved equipment necessary to obtain DEA certification for the disposal of controlled substances.

The total cost of the treatment facility purchase, addition of the autoclave technology and other planned improvements at the Carthage, Texas facility is estimated to be approximately $900,000 with $419,863 spent to date. The remainder is expected to be incurred in the fourth quarter of fiscal year 2008.

New Operating and Accounting System

The Company has recently implemented a project to replace and upgrade its integrated operations and accounting system. The Company’s existing system is approximately five (5) years old. The total cost of the project (including software, hardware and implementation fees) is estimated to range from $225,000 - $250,000 with $192,373 spent to date. The remainder is expected to be incurred during the fourth quarter of fiscal year 2008. The new system is expected to be placed in service by July 1, 2008.

Management believes that the Company’s current cash resources along with its $2.5 million line of credit will be sufficient to fund operations for the twelve months ending March 31, 2009.

CRITICAL ACCOUNTING ESTIMATES

Certain products offered by the Company have revenue producing components that are recognized over multiple delivery points and can consist of up to three separate elements as follows: (1) the sale of the container system, (2) the transportation of the container system and (3) the treatment and disposal (incineration) of the container system. Since the transportation element and the incineration elements are undelivered services at the point of initial sale of the container, the revenue is deferred until the services are performed. The current and long-term portions of deferred revenues are determined through regression analysis and historical trends. Furthermore, through regression analysis of historical data, the Company has determined that a certain percentage of all container systems sold may not be returned. Accordingly, a portion of the transportation and incineration elements is recognized at the point of sale.

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Governmental Regulation

Operations and Incinerator

Sharps is required to operate within guidelines established by federal, state, and/or local regulatory agencies. Such guidelines have been established to promote occupational safety and health standards and certain standards have been established in connection with the handling, transportation and disposal of certain types of medical and solid wastes, including mailed sharps. Sharps believes that it is currently in compliance in all material respects with all applicable laws and regulations governing its business. However, in the event additional guidelines are established to more specifically control the business of Sharps, including the environmental services subsidiary, additional expenditures may be required in order for Sharps to be in compliance with such changing regulations. Furthermore, any material relaxation of any existing regulatory requirements governing the transportation and disposal of medical sharps products could result in a reduced demand for Sharps' products and services and could have a material adverse effect on Sharps' revenues and financial condition. The scope and duration of existing and future regulations affecting the medical and solid waste disposal industry cannot be anticipated and are subject to change due to political and economic pressures.

In November 2005, the EPA amended the Clean Air Act which will affect the operations of the leased incineration facility located in Carthage, Texas. The regulation modifies the emission limits and monitoring procedures required to operate an incineration facility. The new rules will necessitate changes to the Company's leased incinerator and pollution control equipment at the facility or require installation of an alternative treatment method to ensure compliance. Such change would require the Company to incur significant capital expenditures in order to meet the requirements of the regulations. The regulation allows a minimum period of three years and a maximum of five years to comply after the date the final rule was published. The Company has studied the amended EPA Clean Air Act and its options, and has decided in the interim to move forward with the process of adding alternative technology, autoclaving, for medical waste disposal with plans to be fully operational in fiscal year 2009 at its current facility in Carthage, Texas. Autoclaving is a process that treats regulated waste with steam at high temperature and pressure to kill pathogens. Combining the autoclaving with a shredding or grinder process allows the waste to be disposed in a landfill operation. The Company believes autoclaving is environmentally cleaner and a less costly method of treating medical waste than incineration. See Disposal Facility section above for further information regarding the purchase of the Carthage, Texas facility and addition of autoclave technology.

Proper Disposal of Medical Sharps

The first significant regulatory development occurred in December 2004 with the improved guidance issued by the Environmental Protection Agency ("EPA") regarding the safe disposal of medical sharps (needles, syringes and lancets). This new guidance is a result of disposal problems created by the estimated 2 billion syringes discarded annually by self-injectors of medicines in homes and non-healthcare commercial facilities. Until December 2004, the EPA guidance has instructed consumers to place used sharps in a household container and to place the container in the household garbage. New guidance posted on the EPA website reflects information about alternative disposal methods including mail-back programs. The improved guidance issued by the EPA is a significant step toward the removal of needles, syringes and other sharps from the solid waste stream, consistent with the current practice in healthcare facilities. The Company's products and services, which are included in the EPA list of recommended solutions, are designed to improve safety, efficiency and patient concerns related to the proper disposal of medical sharps.

The next regulatory development was the enactment of California Senate Bill 1362, "The Safe Needle Disposal Act of 2004." This legislation authorizes California agencies to expand the scope of their existing household hazardous waste plans to provide for the safe disposal of medical sharps including hypodermic needles and syringes. Authorized disposal programs include the mail-back programs currently marketed by the Company.

In July 2006, the State of California passed Senate Bill 1305 (“SB 1305”), an amendment to The Medical Waste Management Act. The new law requires the proper disposal of home-generated sharps waste (syringes, needles, lancets, etc.) and acknowledges mail-back programs as one of the most convenient alternatives for the collection and destruction of home-generated sharps. Effective January 1, 2007 (with enforcement beginning September 1, 2008), SB 1305 addresses the need to meet the changing demands of healthcare provided in alternate sights that currently allows hundreds of millions of home-generated sharps waste to be disposed in solid waste and recycling containers. The new law is designed to ensure appropriate disposal of sharps waste necessary to protect the general public and workers from potential exposure to contagious diseases and health and safety risks.

Also in July 2006, The Massachusetts Legislature enacted Senate Bill 2569 which requires the Massachusetts department of public health, in conjunction with other relevant state and local agencies and government departments, to design, establish and implement a program for the collection and disposal of non-commercially generated, spent hypodermic needles and lancets. Recommended disposal methods include mail-back products approved by the U.S. Postal Service such as the Sharps Disposal By Mail Systems®. The Massachusetts legislation addresses the need for proper disposal of used syringes, needles and lancets outside of the traditional healthcare setting.

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In addition to California and Massachusetts, other states are considering similar options.

In August 2007, the U.S. House of Representatives and U.S. Senate introduced bills 3251 and 1909, respectively, which would provide for Medicare reimbursement, under part D, for the safe and effective disposal of used needles and syringes through a sharps-by-mail or similar program. This legislation proposes Medicare coverage for the safe needle disposal for approximately 1.3 million insulin-dependent diabetic beneficiaries and is intended to reduce the number of accidental injuries, infections and subsequent costs associated with the improper disposal of approximately 4 million needles generated daily by Medicare covered diabetics. The Company's Sharps Disposal By Mail Systems® is an example of the cost-effective and easy-to-use solution recommended in the legislation.

RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2006, the FASB issued Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, to clarify certain aspects of accounting for uncertain tax position, including issues related to the recognition and measurement of those tax positions. The Company adopted the provisions of FIN 48 as of July 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's consolidated financial statements. The Company classifies interest and penalties associated with the payment of income taxes in the Other Income (Expense) section of its consolidated statement of income (loss). Tax return filings which are subject to review by local tax authorities by major jurisdiction are as follows:

- United States – fiscal years ended June 2004, 2005, 2006 and 2007
- State of Texas – fiscal years ended June 2004, 2005, 2006 and 2007

In September 2006, the FASB issued Statement No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact that this pronouncement may have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115." This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. Early adoption is permitted as of the beginning of a fiscal year that begins on or before November 15, 2007, provided the entity also elects to apply the provisions of SFAS No. 157. The Company expects to adopt SFAS 159 beginning July 1, 2008. The Company is currently evaluating the impact that this pronouncement may have on our consolidated financial statements.

ITEM 3. CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures that are designed to ensure that material information required to be disclosed in the Company's periodic reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The Company's disclosure controls and procedures are also designed to ensure that information required to be disclosed in the reports the Company files or submits under the Exchange Act is accumulated and communicated to the Company's management, including, its principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

During the quarter the Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon that evaluation, the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective, as of the end of the period covered by this report (March 31, 2008).

During the quarter ended March 31, 2008, there were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that materially affected or are reasonably likely to materially affect internal control over financial reporting.

The certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 are filed as exhibits 31.1 and 31.2, respectively, to this Quarterly Report on Form 10-QSB.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Patent Infringement Litigation
In May 2007, the Company filed patent infringement lawsuits in the United States District Court for the Southern District of Texas in Houston against Medi-Supply, Inc. (a/k/a or f/k/a Medi-Supply Alliance, LLC and Medi-Supply, Inc. "MediSupply") and Drive Medical Design & Manufacturing ("Drive Medical") for infringement of three U.S. patents. The complaints allege that MediSupply and Drive Medical infringe the patents by making, selling, and offering for sale disposable IV poles which are identical to the Company's Pitch-It ™ IV Pole.

On January 2, 2008, the Company announced the settlement of the patent dispute with MediSupply and Drive Medical. In conjunction with the settlement, Drive Medical will be the exclusive manufacturer and Sharps will be the exclusive seller of the Sharps Pitch-It™ IV Poles. Additionally, Drive Medical and MediSupply will no longer sell IV Pole products that infringe upon Sharps' patents. The settlement resolved all issues between the parties related to the patent litigation. As part of the exclusivity agreement, Sharps agreed to a minimum annual purchase commitment of $600,000 in IV Pole product a year. The Company believes it will purchase more than $600,000 in IV Pole products from Drive Medical on an annual basis.

ITEM 6. EXHIBITS

(a) Exhibits:

31.1 Certification of Chief Executive Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith)
31.2 Certification of Chief Financial Officer in Accordance with Section 302 of the Sarbanes-Oxley Act (filed herewith)
32.1 Certification of Chief Executive Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith)
32.2 Certification of Chief Financial Officer in Accordance with Section 906 of the Sarbanes-Oxley Act (filed herewith)

ITEMS 2, 3, 4, AND 5 ARE NOT APPLICABLE AND HAVE BEEN OMITTED.

SIGNATURES

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: May 15, 2008	By:	/s/ Dr. Burton J. Kunik Chairman of the Board of Directors, Chief Executive Officer and President
Dated: May 15, 2008	By:	/s/ David P. Tusa Executive Vice President, Chief Financial Officer, Business Development and Corporate Secretary

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