

SHARPS COMPLIANCE CORP
Form DEF 14A
November 07, 2003

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

SHARPS COMPLIANCE CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(4)(1) and 0-11.
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party

(4) Date Filed:

November 7, 2003

Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2003 Annual Meeting of Stockholders of Sharps Compliance Corp. The Annual Meeting will be held on Tuesday, December 9, 2003 at 10:00 a.m. at The Doubletree Hotel, 2001 Post Oak Boulevard, Houston, Texas. The formal Notice of the Annual Meeting is set forth in the enclosed materials.

This year, you are being asked to act upon the election of six (6) Directors. These matters are discussed in greater detail in the attached Notice of Annual Meeting of Stockholders and Proxy Statement.

Regardless of the number of shares you own and whether or not you expect to be present at the meeting, please mark, sign, date and promptly return the enclosed Proxy Card in the envelope provided. Returning the Proxy Card will not deprive you of your right to attend the meeting and vote your shares in person. If you attend the meeting, you may withdraw your Proxy and vote your own shares.

On behalf of the Board of Directors, I would like to express our appreciation for your continued support of our Company. We look forward to seeing you at the Annual Meeting.

Sincerely,

/s/ DR. BURTON J. KUNIK

Dr. Burton J. Kunik
*Chairman of the Board,
Chief Executive Officer and
President*

SHARPS COMPLIANCE CORP.
9350 Kirby Drive, Suite 300
Houston, Texas 77054

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON DECEMBER 9, 2003

NOTICE IS HEREBY GIVEN that the 2003 Annual Meeting of Stockholders (the "Annual Meeting") of Sharps Compliance Corp., a Delaware corporation (the "Company"), will be held on Tuesday, December 9, 2003 at 10:00 a.m. local time at The Doubletree Hotel, 2001 Post Oak Boulevard, Houston, Texas, for the purpose of considering and voting upon the following:

(1) the election of six directors to hold office until the next Annual Meeting of Stockholders or until the election and qualification of their respective successors; and

(2) such other business as properly may come before the Annual Meeting or any adjournment(s) thereof. The Board of Directors is presently unaware of any other business to be presented to a vote of the stockholders at the Annual Meeting.

The Board of Directors has fixed October 24, 2003 as the record date (the "Record Date") for the determination of stockholders entitled to notice of and to vote at the Annual Meeting or any adjournment(s) or postponement(s) thereof. Only stockholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting. The stock transfer books will not be closed. A list of stockholders entitled to vote at the Annual Meeting will be available for examination at the offices of the Company for ten days prior to the Annual Meeting.

By Order of the Board of Directors

/s/ DAVID P. TUSA

David P. Tusa
Corporate Secretary

Houston, Texas
November 7, 2003

IMPORTANT

YOU ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING. HOWEVER, WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING IN PERSON, YOU ARE URGED TO PROMPTLY MARK, SIGN, DATE AND RETURN THE ACCOMPANYING PROXY IN THE ENCLOSED, SELF-ADDRESSED, STAMPED ENVELOPE SO THAT YOUR SHARES OF STOCK MAY BE REPRESENTED AND VOTED IN ACCORDANCE WITH YOUR WISHES AND IN ORDER THAT THE PRESENCE OF A QUORUM MAY BE ASSURED AT THE ANNUAL MEETING. YOUR PROXY WILL BE RETURNED TO YOU IF YOU SHOULD BE PRESENT AT THE ANNUAL MEETING AND SHOULD REQUEST SUCH RETURN OR IF YOU SHOULD REQUEST SUCH RETURN IN THE MANNER PROVIDED FOR REVOCATION OF PROXIES ON THE INITIAL PAGES OF THE ENCLOSED PROXY STATEMENT. PROMPT RESPONSE BY OUR STOCKHOLDERS WILL REDUCE THE TIME AND EXPENSE OF SOLICITATION.

3

SHARPS COMPLIANCE CORP.
9350 Kirby Drive, Suite 300
Houston, Texas 77054

PROXY STATEMENT
ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON DECEMBER 9, 2003

SOLICITATION AND REVOCABILITY OF PROXIES

This Proxy Statement (the "Proxy Statement") and the accompanying materials are furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Sharps Compliance Corp., a Delaware corporation (the "Company"), to be used at the Annual Meeting of Stockholders of the Company to be held on December 9, 2003 (the "Annual Meeting") at the time and place and for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders and adjournment(s) or postponement(s) thereof.

The accompanying proxy is designed to permit each holder of the Company's common stock, par value \$0.01 per share (the "Common Stock"), to vote for or withhold voting for the nominees for election as directors of the Company set forth under the Proposals, and to authorize the proxies to vote in their discretion with respect to any other proposal brought before the Annual Meeting. When a stockholder's executed proxy card specifies a choice with respect to a voting matter, the shares will be voted accordingly. If no such specifications are made, the Proxies for the Common Stock will be voted by those persons named in the Proxies at the Annual Meeting FOR the election of the nominees specified under the caption "Election of Directors". If any other matters properly come before the Annual Meeting, the Proxies will vote upon such matters according to their judgment.

The Company encourages the personal attendance of its stockholders at the Annual Meeting, and execution of the accompanying proxy will not affect a stockholder's right to attend the Annual Meeting and to vote his or her shares in person. Any stockholder giving a proxy has the right to revoke it by giving written notice of revocation to David P. Tusa, Corporate Secretary, Sharps Compliance Corp., at the Company's executive office, 9350 Kirby Drive, Suite 300, Houston, Texas 77054, at any time before the proxy is voted, by executing and delivering a later-dated proxy, or by attending the Annual Meeting and voting his or her shares in person. No such notice of revocation or later-dated proxy will be effective, however, until received by the Company at or prior to the Annual Meeting. Such revocation will not affect a vote on any matters taken prior to the receipt of such revocation. Mere attendance at the Annual Meeting will not of itself revoke the proxy.

All expenses of the Company in connection with the solicitation will be borne by the Company. In addition to the solicitation of proxies by use of the mail, officers, directors and regular employees of the Company may solicit the return of proxies by personal interview, mail, telephone and/or facsimile. Such persons will not be additionally compensated, but will be reimbursed for out-of-pocket expenses. The Company also will request brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of shares held of record by such persons and will reimburse such persons and their transfer agents for their reasonable out-of-pocket expense in forwarding such material.

This Proxy Statement, Proxy Card and the Company's Annual Report covering the Company's fiscal year ended June 30, 2003, including audited financial statements, are being mailed to the stockholders of the Company on or about November 10, 2003.

The date of this Proxy Statement is November 7, 2003.

4

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report for the fiscal year ended June 30, 2003 is incorporated by reference in this Proxy Statement. A copy of such Annual Report is enclosed with this Proxy Statement. In the event this Proxy Statement was delivered without a copy of such Annual Report, the Company will, upon written or oral request, provide within one business day of such request without charge, a copy of such Annual Report (other than exhibits to such document, unless such exhibits are specifically incorporated by reference into such document). Requests should be directed to Sharps Compliance Corp., 9350 Kirby Drive, Suite 300, Houston, Texas 77054, Attention: David P. Tusa, Senior Vice President and Chief Financial Officer, telephone (713) 432-0300.

INDEPENDENT PUBLIC ACCOUNTANTS

Mann Frankfort Stein & Lipp CPAs, L.L.P. has been engaged by the Board of Directors of the Company as independent public accountants for the Company and its subsidiaries since January 8, 2002. In September 2003, the firm was engaged to serve as the Company's independent public accountants for the 2004 fiscal year. Management expects that a representative of Mann Frankfort Stein & Lipp CPAs, L.L.P. will be present at the Annual Meeting to make a statement if he or she desires to do so and to be available to answer appropriate questions posed by stockholders.

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The Company's independent public accountants have not directly or indirectly operated or supervised the Company's information system or local area network. Additionally, the Company's independent public accountants have not designed or implemented hardware or software used by the Company to prepare the Company's financial statement information.

AUDIT FEES

The aggregate fees billed to the Company by its independent public accountants for audit services including the quarterly reviews were \$47,876 and \$54,784 for the fiscal years ended June 30, 2003 and 2002, respectively.

AUDIT-RELATED FEES

The aggregate fees billed to the Company by its independent public accountants for audit-related services were \$11,267 and \$80,494 for the fiscal years ended June 30, 2003 and 2002, respectively. The audit-related services consists of assistance with the recent Securities and Exchange Commission financial statement review and review of the restated and amended Forms 10-KSB and 10-QSB.

TAX FEES

The aggregate fees billed to the Company by its independent public accountants for tax related services were \$22,312 and \$-0- for the fiscal years ended June 30, 2003 and 2002, respectively.

During the fiscal year 2003, the Company was billed \$4,234 for state and local tax services by a firm other than its independent public accountants.

ALL OTHER FEES

There were no fees billed to the Company by its independent public accountants for other services for the fiscal years ended June 30, 2003 and 2002, respectively.

ADDITIONAL INFORMATION

The audit committee's pre-approval policies and procedures are described in the Company's Audit Committee Charter which is included in Annex A.

5

All of the above noted services performed by the Company's independent public accountants were approved in compliance with the Company's Audit Committee Charter. All of the hours expended by the Company's independent public accountants during the audit engagements noted above were performed by the accounting firm's full-time permanent employees.

VOTING SECURITIES AND PRINCIPAL STOCKHOLDERS

General

The Board has fixed the close of business on October 24, 2003 as the record date (the "Record Date") for the Annual Meeting. Only holders of record of the outstanding shares of Common Stock at the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting and any adjournment(s) thereof. At the close of business on October 24, 2003, there were 10,538,256 shares of Common Stock outstanding and entitled to be voted at the Annual Meeting. The Common Stock is the only class of stock entitled to vote at the Annual Meeting. Each share of Common Stock is entitled to one vote on each matter presented to the stockholders. Cumulative voting is not permitted by Common Stock shareholders of the Company.

Quorum and Vote Required

The presence, in person or by proxy, of a majority of the total shares of Common Stock issued and outstanding at the close of business on the Record Date is necessary to constitute a quorum for transaction of business at the Annual Meeting. Assuming the existence of a quorum, the affirmative vote of a plurality of the shares of Common Stock present, either in person or represented by proxy, and entitled to vote at the Annual Meeting is required to elect directors, and the affirmative vote of a majority of the shares of Common Stock present, either in person or represented by proxy, and entitled to vote at the Annual Meeting is required to decide any other questions brought before such meeting, unless the question is one upon which, by express provision of a statute or the certificate of incorporation of the Company, a different vote is required, in which case such express provision shall govern and control the decision in question. If a quorum is not present in person or by proxy, the Annual Meeting may be adjourned until a quorum is obtained.

Abstentions are counted toward the calculation of a quorum and will have the same effect as a vote against a proposal. Broker non-votes will be counted toward the calculation of a quorum but will have no effect on the voting outcome of a proposal.

Security Ownership of Management and Certain Beneficial Owners

The following table and notes thereto set forth certain information with respect to the shares of Common Stock beneficially owned by (i) each director and nominee for director of the Company, (ii) all executive officers of the Company, including those listed in the Summary Compensation Table set forth under the caption "Executive Compensation" below, (iii) all directors and executive officers of

6

the Company as a group and (iv) each person known by the Company to be the beneficial owner of 5% or more of the outstanding Common Stock, as of the Record Date:

Name of Beneficial Owner	Common Stock	
	Amount and Nature of Beneficial Ownership(1)	Percent of Class Owned Beneficially(2)
Directors:		
Dr. Burton J. Kunik(3)	2,635,344(4)	25.0%
C. Lee Cooke, Jr.	174,681(5)	1.7%
Ramsay Gillman	272,500	2.6%
Parris H. Holmes, Jr.(6)	1,118,780(7)	10.6%
F. Gardner Parker(8)	50,000	*
Philip C. Zerrillo	143,334(9)	1.4%
Officers:		
Ronald E. Pierce		*
David P. Tusa(10)	180,000(11)	1.7%
Michael D. Archer(12)		*
Others:		
John W. Dalton(13)	1,370,000(14)	13.0%
Herb Schneider(15)	800,000	7.6%

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Common Stock

New Century Equity Holdings Corp.	900,000	8.5%
All executive officers and directors as a group (7 individuals)	4,574,639(16)	43.4%

* Represents less than 1% of the issued and outstanding shares of Common Stock.

(1) Each of the persons named in the table has sole voting and investment power with respect the shares reported, subject to community property laws where applicable and the information contained in this table and these notes.

(2) The percentages indicated are based on outstanding stock options exercisable within 60 days for each individual and 10,538,256 shares of Common Stock issued and outstanding on the Record Date.

(3) Dr. Kunik's address is 9350 Kirby Drive, Suite 300, Houston, Texas 77054.

(4) Includes 63,334 shares that Dr. Kunik has the right to acquire upon the exercise of stock options.

(5) Includes 63,334 shares that Mr. Cooke has the right to acquire upon the exercise of stock options.

(6) Mr. Holmes' address is 10101 Reunion Place, Suite 450, San Antonio, Texas 78216.

(7) Includes 263,334 shares that Mr. Holmes has the right to acquire upon the exercise of stock options and 9,500 shares owned by Mr. Holmes' wife.

(8) Mr. Parker was elected as a Director on February 24, 2003.

(9) Includes 63,334 shares that Mr. Zerrillo has the right to acquire upon the exercise of stock options.

7

(10) Mr. Tusa joined the Company in February 2003 as Senior Vice President and Chief Financial Officer.

(11) Includes 155,000 shares that Mr. Tusa has the right to acquire upon the exercise of stock options.

(12) Mr. Archer joined the Company on July 14, 2003 as Senior Vice President of Sales and Marketing.

(13) Mr. Dalton's address is 2302 Fannin, Suite 120, Houston, Texas 77002.

(14) Includes 270,000 shares that Mr. Dalton has the right to acquire upon the exercise of stock options. This amount does not include 292,000 shares owned by Mr. Dalton's adult children, of which Mr. Dalton disclaims beneficial ownership.

- (15) Mr. Schneider's address is 4027 Sunridge Road, Pebble Beach, California 93953.
- (16) Includes 878,336 shares that all directors and executive officers have the right to acquire upon the exercise of stock options.

**ITEM 1
ELECTION OF DIRECTORS**

Nominees

The Bylaws of the Company provide that the Board of Directors shall consist of not fewer than three nor more than fifteen members and that the number of directors, within such limits, shall be determined by resolution of the Board of Directors at any meeting or by the stockholders at the Annual Meeting. The Board of Directors of the Company has set the number of directors comprising the Board of Directors at six.

The Board of Directors has nominated for director the individuals named below to be elected at the Annual Meeting. Each of the nominees has agreed to stand for election as a director of the Company, to serve until the 2004 Annual Meeting or until their respective successors have been duly elected and qualified.

The table below sets forth the names and ages of the nominees for director and the year each nominee first became a director of the Company. Each of the nominees is presently serving as a director of the Company. Biographical information on the nominees is set forth below under "Management."

Name and Age	Year first became a Director of the Company
C. Lee Cooke, Jr. (59)	1992
Ramsay Gillman (59)	2002
Parris H. Holmes, Jr. (59)	1998
Dr. Burton J. Kunik (65)	1998
F. Gardner Parker (61)	2003
Philip C. Zerrillo (45)	1999

Unless otherwise indicated on any duly executed and dated proxy, the persons named in the enclosed proxy intend to vote the shares that it represents for the election of the nominees listed in the table above for the term specified. Although the Company does not anticipate that the above-named nominees will refuse or be unable to accept or serve as directors of the Company for the term specified, the persons named in the enclosed form of proxy intend, if any of such nominees is unable or unwilling to serve as a director, to vote the shares represented by the proxy for the election of such other person as may be nominated or designated by management, unless they are directed by the proxy to do otherwise.

Assuming the presence of a quorum, the affirmative vote of the holders of a plurality of the shares of Common Stock, represented in person or by proxy at the Annual Meeting, is required for the election of directors. Assuming the receipt by each such nominee of the affirmative vote of at least a plurality of the shares of Common Stock represented at the Annual Meeting, such nominees will be elected as directors. Proxies will be voted in accordance with the specifications marked thereon, and if no specification is made, will be voted "FOR" the nominees.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE
ELECTION OF EACH OF THE INDIVIDUALS NOMINATED
FOR ELECTION AS DIRECTORS.**

**ITEM 2
OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING**

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As of the date of this Proxy Statement, management does not intend to present any other items of business and is not aware of any matters to be presented for action at the Annual Meeting other than that described above. However, if any other matters should come before the Annual Meeting, it is the intention of the persons named as proxies in the accompanying proxy card to vote in accordance with their best judgment on such matters.

9

MANAGEMENT

Set forth below is information with respect to each director and executive officer of the Company as of October 24, 2003. The executive officers are elected by the Board of Directors and serve at the discretion of the Board. There are no family relationships between any two directors or executive officers.

Name	Age	Position
Directors:		
Dr. Burton J. Kunik	65	Chairman of the Board, Chief Executive Officer and President
C. Lee Cooke, Jr.(1)(2)	59	Director
Ramsay Gillman(2)	59	Director
Parris H. Holmes, Jr.(2)	59	Director
F. Gardner Parker(1)	61	Director
Philip C. Zerrillo(1)	45	Director
Officers:		
Ronald E. Pierce	49	Chief Operating Officer
David P. Tusa	43	Senior Vice President, Chief Financial Officer and Corporate Secretary
Michael D. Archer	57	Senior Vice President of Sales and Marketing

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

The following is a description of the biographies of the Company's executive officers and directors and nominees for director for the past five years.

Dr. Burton J. Kunik has been a director, Chairman of the Board, Chief Executive Officer and President of the Company since July 1998. He founded Sharps Compliance, Inc., now a wholly owned subsidiary of the Company, in May 1994 and has served as a director and Chief Executive Officer of Sharps Compliance, Inc. since that time. Dr. Kunik has 24 years of experience as an endodontist, including management experience of three successful start-up companies in the medical waste and insurance industries. Previously, Dr. Kunik spent five years with 3CI Complete Compliance Corporation, which he co-founded. Its successor, American 3CI currently is engaged in the business of medical waste

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services in the southeastern and southwestern United States. Other previous business experience includes management roles in real estate, oil and gas, cattle ranching and the travel industry. Dr. Kunik has been very active in the medical waste industry for ten years. He served as Chairman of the Medical Waste Institute in 1992 and has served on the board of the Environmental Industry Association.

C. Lee Cooke, Jr. has been a director of the Company since March 1992. He served as Chairman of the Board, Chief Executive Officer and President of the Company from March 1992 until July 1998. Since 1991 he has been President and Chief Executive Officer of Habitek International, Inc., d/b/a U.S. Medical Systems, Inc., a biomedical company. Mr. Cooke served as Chairman of the Board for Tanisys Technology, Inc. ("Tanisys"), a developer and marketer of semi-conductor testing equipment from

10

February 2002 until February 2003 and served as Chief Executive Officer from March 2002 until February 2003. Mr. Cooke serves as an advisory director to the Staubach Group, CTLLC, a real estate representative company. He was President and Chief Executive Officer of CUville, Inc., d/b/a Good2CU.com, from 1999 until 2000. Mr. Cooke served as Chief Executive Officer of The Greater Austin Chamber of Commerce from 1983 to 1987. From 1972 to 1983, Mr. Cooke also served in various management roles with Texas Instruments. From 1988 to 1991 he served in the elected position of Mayor of Austin, Texas. Mr. Cooke has served as director of New Century Equity Holdings Corp. ("New Century"), a holding company focused on high growth companies since 1996.

Ramsay Gillman has served as a director of the Company since July 2002. He also served as the Director of the South Texas region for the National Automobile Dealers Association ("NADA") from 1989 through 1999 and was elected President of NADA in 1997. Currently, Mr. Gillman serves as a Trustee for the NADA Charitable Foundation and for the NADA Dealers Election Action Committee. He has also served as President of the Houston Automobile Dealer's Association, Vice President of the Texas Automobile Dealer's Association and was appointed Vice Chairman of the Texas Motor Vehicle Commission from 1984 through 1987 by the then Governor of Texas.

Parris H. Holmes, Jr. has been a director of the Company since July 1998. He previously served on the Company's Board of Directors from March 1992 until April 1996. Mr. Holmes has served as Chairman of the Board and Chief Executive Officer of New Century since May 1996. Mr. Holmes served as both Chairman of the Board and Chief Executive Officer of USLD Communications Corp., formerly U.S. Long Distance Corp. ("USLD"), from September 1986 until August 1996, and served as Chairman of the Board of USLD until June 2, 1997. Prior to March 1993, Mr. Holmes also served as President of USLD. Mr. Holmes has been a member of the Board of Directors of Princeton eCom Corporation ("Princeton"), a leading provider of electronic bill presentment and payment services since September 1998. In January 2002, Mr. Holmes was appointed as Chairman of the Board of Princeton. In December 2002, Mr. Holmes resigned as Chairman of the Board of Princeton, but remains on Princeton's Board of Directors. Mr. Holmes served on the Board of Tanisys but resigned as Chairman of the Board and a Board member in January 2002.

F. Gardner Parker has been a director of the Company since February 2003. Mr. Parker serves on the board of directors of three other public companies, Camden Property Trust, Crown Resources Corporation and Carrizo Oil & Gas. Mr. Parker serves as a director of Gillman Automobile Dealerships, Net Near U Communications, Camp Longhorn, Inc., nii communications, inc., Sherwood Healthcare Inc., Arena Power, Butler Online and Pinnacle Oil & Gas. Mr. Parker was previously with Ernst & Ernst (now Ernst & Young LLP) for 14 years, seven of which he served as a partner.

Philip C. Zerrillo, Ph.D., has been a director of the Company since September 1999. Mr. Zerrillo has served as Associate Dean of The University of Texas Graduate School of Business since September 1999 and is a member of the faculty of The University of Texas. He has been a visiting professor at several universities, including Thommasat University (Thailand) and Northwestern University's J.L. Kellogg Graduate School of Management, since 1991, and is the author of numerous published articles in the fields of distribution channel management and business system innovation.

Ronald E. Pierce joined the Company as Chief Operating Officer in September 2002. Mr. Pierce served as Chief Executive Officer of Hire Intelligence, Inc. from 2000 through 2001. Prior to that, he served as President and Chief Executive Officer of Integrated Orthopaedics, Inc. from 1996 to 1999. Mr. Pierce also served in executive management positions at various public companies including American Oncology Resources, Caremark International, Baxter International and American Hospital Supply Corporation.

David P. Tusa, CPA, Senior Vice President, Chief Financial Officer and Corporate Secretary joined the Company in February 2003. Mr. Tusa is also the Executive Vice President, Chief Financial Officer of New Century. Mr. Tusa joined New Century in August 1999. Prior to New Century, Mr. Tusa was

11

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Executive Vice President and Chief Financial Officer of U.S. Legal Support, a provider of litigation support services, during the period from September 1997 to August 1999. Mr. Tusa also served as Senior Vice President and Chief Financial Officer of Serv-Tech, Inc., a publicly-held provider of specialty services to industrial customers in multiple industries, from April 1994 through August 1997. Additionally, Mr. Tusa was with CRSS, Inc., a publicly-held diversified services company from May 1990 through April 1994. Mr. Tusa served on the Board of Directors of Tanisys Technology, Inc., a developer and marketer of semiconductor testing equipment from August 2001 to March 2003. Mr. Tusa served as a member of the Board of Directors of Princeton eCom, a leading application service provider for electronic and Internet bill presentment and payment solutions from December 2001 to June 2002. Mr. Tusa served as an Advisor to the Board of Directors of the Company from October 2001 to February 2003.

Michael D. Archer, Senior Vice President of Sales and Marketing joined the Company in July 2003. Mr. Archer was previously the Vice President of Sales and Marketing of Tartan Textile Services from 2001 to 2003. Mr. Archer was the Vice President of Sales and Marketing for Heartland Information Services from 2000 to 2001 and Vice President of Sales and Marketing for Stericycle during 1999 and 2000. Additionally, Mr. Archer was a Director of Sales and Marketing for the Healthcare division of Browning Ferris Industries from 1995 to 1999.

Committees, Meetings and Board Compensation

Audit Committee. The Audit Committee is comprised of certain directors who are not employees of the Company or any of its subsidiaries. Messrs. Zerrillo, Cooke and Parker are the current members of the Audit Committee, with Mr. Zerrillo serving as Chairman. The Audit Committee acts on behalf of the Board of Directors with respect to the Company's financial statements, record-keeping, auditing practices and matters relating to the Company's independent public accountants, including recommending to the Board of Directors the firm to be engaged as independent public accountants for the next fiscal year; reviewing with the Company's independent public accountants the scope and results of the audit and any related management letter; consulting with the independent public accountants and management with regard to the Company's independent public accountants; and reviewing the independence of the independent public accountants. The Audit Committee also pre-approves all services provided by the Company's independent public accountants. The Audit Committee met four times during the fiscal year ended June 30, 2003. The Audit Committee reviewed and discussed the Company's audited financial statements for the fiscal year ended June 30, 2003 with the Company's management. The Audit Committee discussed with the Company's independent auditors the matters required to be discussed by SAS 61. The Audit Committee has received the written disclosures and the letter from the independent public accountants required by Independence and Standards Board Standard No. 1, and has discussed with the independent public accountant the independent public accountant's independence. Based on the above, the Audit Committee recommended to the Company's Board of Directors that the audited financial statements of the Company be included in the Company's annual report on Form 10-KSB for the fiscal year ended June 30, 2003.

Compensation Committee. The Compensation Committee is comprised of certain directors who are not employees of the Company or any of its subsidiaries. Messrs. Cooke, Gillman and Holmes are the current members of the Compensation Committee, with Mr. Cooke serving as Chairman. The Compensation Committee reviews and makes recommendations to the Board of Directors concerning major compensation policies and compensation of officers and executive employees and administers the Company's 1993 Stock Plan. The Compensation Committee does not base executive compensation solely on the Company's financial performance during a fiscal year. Executive employee compensation is based on many factors including, but not limited to, the market for executive employees with similar experience and expertise employed by companies similar in size and type to the Company. The Compensation Committee met three times during the fiscal year ended June 30, 2003. The Board of

12

Directors accepted the Compensation Committee's recommendations made during the fiscal year ended June 30, 2003.

Board of Director and Committee Meetings. The Board of Directors met four times during the fiscal year ended June 30, 2003 and took action on numerous occasions by unanimous written consent. During the fiscal year, each of the directors of the Company attended at least 75% of the aggregate meetings the Board of Directors and committees of which such director was a member.

Compensation of Directors

Meeting Fees. The Company does not pay cash compensation to its Directors. The Company does reimburse its directors for travel and out-of-pocket expenses incurred in conjunction with attending Board meetings.

Stock Options. Effective June 2003, the Company grants annual stock options to its non-employee Directors under the Company's 1993 Stock Plan as follows:

30,000 stock options to each non-employee Director;

an additional 20,000 stock options to the Chairman of the Audit Committee;

an additional 10,000 stock options to the Chairman of the Compensation Committee; and

an additional 10,000 stock options to the other Audit Committee members.

In accordance with the policy, 210,000 stock options, with an exercise price of \$0.84, were granted on July 14, 2003 to the five non-employee Directors. This grant represents compensation for director services to be performed over the fiscal year 2004.

EXECUTIVE COMPENSATION

The following table sets forth certain information concerning compensation of the Company's Chief Executive Officer, Chief Operating Officer, and Senior Vice President and Chief Financial Officer for fiscal 2003.

Summary Compensation Table

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation Awards		
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Restricted Stock Awards(\$)	Securities Underlying Options(#)	All Other Compensation(\$)
Dr. Burton J. Kunik <i>Chairman of the Board, President and Chief Executive Officer</i>	2003	\$ 190,000	\$ 80,000	\$ 30,717(5)	0	250,000	\$ 0
	2002	\$ 180,000	\$ 58,950	0	0	45,000	\$ 0
	2001	\$ 180,000	0	0	0	35,000	\$ 0
Ronald E. Pierce(1)(2) <i>Chief Operating Officer</i>	2003	\$ 136,659	0	\$ 7,740(6)	0	400,000	\$ 0
David P. Tusa(3)(4) <i>Sr. Vice President and Chief Financial Officer</i>	2003	\$ 40,000	0	0	0	150,000	\$ 0

- (1) Mr. Pierce joined the Company in September 2002.
- (2) Mr. Pierce was granted 100,000 additional stock options with an exercise price of \$0.84 on July 14, 2003.
- (3) Mr. Tusa joined the Company in February 2003. Mr. Tusa's salary is paid to New Century via a salary allocation agreement.
- (4) Mr. Tusa was granted 150,000 additional stock options with an exercise price of \$0.84 on July 14, 2003. Additionally, Mr. Tusa was granted 55,000 fully vested non-Stock Plan stock options in October 2001 and July 2002 in conjunction with his service as an advisor to the Board of Directors.
- (5)

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Amount represents \$20,043 in Company paid medical-related insurance premiums and \$10,674 in Company paid vehicle-related expenses.

(6)

Amount represents Company paid medical-related insurance premiums.

Stock Option Grants in Fiscal 2003

The following table provides certain information related to options granted to the named executive officers during fiscal 2003 pursuant to the 1993 Stock Plan. The Company has never granted stock appreciation rights.

Name	Individual Grants			
	Number of Securities Underlying Options Granted(#)	% of Total Options Granted to Employees in Fiscal 2003	Exercise or Base Price (\$/Sh)	Expiration Date
Dr. Burton J. Kunik	250,000	29%	\$ 0.80	05/20/09
Ronald E. Pierce(1)(2)	400,000	46%	\$ 1.40	10/23/09
David P. Tusa(3)(4)	150,000	17%	\$ 1.12	03/12/10

(1)

Mr. Pierce joined the Company in September 2002.

(2)

Mr. Pierce was granted 100,000 additional stock options with an exercise price of \$0.84 on July 14, 2003.

(3)

Mr. Tusa joined the Company in February 2003.

14

(4)

Mr. Tusa was granted 150,000 additional stock options with an exercise price of \$0.84 on July 14, 2003. Additionally, Mr. Tusa was granted 55,000 fully vested non-Stock Plan stock options in October 2001 and July 2002 in conjunction with his service as an advisor to the Board of Directors.

Aggregated Option Exercises in Fiscal 2003 and Fiscal Year-end Option Values

There were no option exercises by the named executive officers during the 2003 fiscal year. The following table provides the number and value of options held at fiscal year end. The Company does not have any outstanding stock appreciation rights.

Name	Shares Acquired Upon Option Exercise(#)	Value Realized(\$)	Number of Securities Underlying Unexercised Options at FY End(#)		Value of Unexercised In-the-Money Options at FY End\$(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Dr. Burton J. Kunik	0	N/A	63,334	291,666	0	\$ 7,500
Ronald E. Pierce	0	N/A	0	400,000	0	0
David P. Tusa	0	N/A	105,000	100,000	0	0

- (1) Market value of the underlying securities as determined by reference to the closing price of the Common Stock on the NASD OTC Bulletin Board on June 30, 2003 (\$0.83) minus the exercise price.

Employee Benefit Plans

Sharps Compliance Corp. 1993 Stock Plan

General. Effective November 16, 1993, the stockholders of the Company approved the Stock Plan. Under the Stock Plan, (a) employees of the Company and any subsidiary of the Company may be awarded incentive stock options ("ISOs"), as defined in Section 422A(b) of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) employees, consultants and affiliates or any other person or entity, as determined by the Administrator to be in the best interests of the Company, may be granted (i) stock options which do not qualify as ISOs ("Non-qualified Options"), (ii) awards of stock in the Company ("Awards"), (iii) stock appreciation rights ("SARs") in conjunction with, or independently of, options granted thereunder, (iv) performance awards in the form of units ("Units") representing phantom shares of stock, (v) non-employee director options and (vi) opportunities to make direct purchases of stock in the Company ("Purchases"). ISOs and Non-qualified Options are collectively referred to as "Options," and together with Awards, SARs, Units, Purchases and non-employee director options are collectively referred to as "Stock Rights."

Shares Subject to the Stock Plan. The Stock Plan authorizes the issuance of up to 3,000,000 shares. At October 24, 2003, options to purchase 2,513,890 shares had been granted under the Stock Plan. If any Stock Right granted under the Stock Plan terminates, expires or is surrendered, new Stock Rights may thereafter be granted covering such shares.

Administration. The Stock Plan is administered by the Board of Directors (the "Administrator"). Subject to the terms of the Stock Plan, the Administrator has the authority to determine the persons to whom Stock Rights (except non-employee director options) shall be granted, the number of shares covered by each such grant, the exercise or purchase price per share, the time or times at which Stock Rights shall be granted, whether each option granted shall be an ISO or a Non-qualified Option, whether restrictions such as repurchase options are to be imposed on shares subject to Stock Rights and the nature of such restrictions, if any. The interpretation or construction by the Administrator of the Stock Plan or with respect to any Stock Rights granted thereunder shall, unless otherwise determined by the Board of Directors, be final. The option price for ISOs may not be less than 100%

of the fair market value of the Common Stock on the date of grant, or 110% of the fair market value with respect to any ISO issued to a holder of 10% or more of the Company's shares. There is no price requirement for Non-qualified Stock Options. In no event may the aggregate fair market value (determined on the date of the grant of an ISO) of Common Stock for which ISOs granted to any employee under the Stock Plan are exercisable for the first time by such employee during any calendar year exceed \$100,000. The Stock Plan further directs the Administrator to set forth provisions in Option agreements regarding the exercise and expiration of Options according to stated criteria. The Administrator oversees the methods of exercise of Options, with attention being given to compliance with appropriate securities laws and regulations. The Stock Plan permits the use of already owned Common Stock as payment for the exercise price of Stock Rights.

Eligibility for Granting of Stock Rights. ISOs may be granted under the Stock Plan only to employees of the Company. Non-qualified Options, SARs and Units may be granted to any officer, employee, consultant or affiliate of the Company, or any other person or entity, as determined by the Administrator to be in the best interests of the Company.

Non-employee Director Options. Under the Stock Plan, any director who is not an officer or full-time employee of the Company or a related company (totaling five eligible individuals at October 24, 2003) is granted a three-year Option to purchase 25,000 shares of Common Stock at the then fair market value upon joining the Board of Directors. In addition, non-employee directors will receive, on the first business day after the date of each annual meeting of stockholders of the Company commencing with the annual meeting of stockholders immediately following the full vesting of any previously granted non-employee director Option, an Option to purchase an additional 10,000 shares of Common Stock at an exercise price per share equal to the fair market value of the Common Stock on the date of grant. The Options vest one-third a year for three years. In addition, the Stock Plan provides for the granting of discretionary stock options to qualified directors. Upon the resignation of a director, the non-employee director Option may, at the discretion of the Administrator, be continued as a Non-qualified Option under the Stock Plan if the director continues to be affiliated with the Company.

Awards. Restricted stock awards may be granted under the Stock Plan at the discretion of the Administrator. The grantee purchases the number of shares subject to the Award, usually for a nominal price such as the par value. The shares, however, are held in escrow and may not be sold until they are vested in accordance with the terms of the grant, such as continued employment for a specific period of time, accomplishment by the Company of certain goals, or a combination of criteria. Upon termination of the Award, all unvested shares are repurchased by the Company for the same nominal purchase price originally paid for the stock. As of October 24, 2003, the Company had not granted any Awards under the Stock Plan.

Stock Appreciation Rights. Options (except non-employee director options) granted under the Stock Plan may be granted in tandem with SARs ("tandem SARs") or independently of and not in tandem with an Option ("naked SARs"). SARs will become exercisable at such time or times, and on such conditions, as specified in the grant. Any tandem SAR granted with an ISO may be granted only at the date of grant of such ISO. Any tandem SAR granted with a Non-qualified Option may be granted either at or after the time such Option is granted. As of October 24, 2003, the Company had not granted any SARs under the Stock Plan.

A tandem SAR is the right of an optionee, without payment to the Company (except for applicable withholding taxes), to receive the excess of the fair market value per share on the date which such SAR is exercised over the option price per share as provided in the related underlying Option. A tandem SAR granted with an Option shall pertain to, and be exercised only in conjunction with, the related underlying Option granted under the Stock Plan and shall be exercisable and exercised only to the extent that the underlying Option is exercisable. The tandem SAR shall become either fully or

partially non-exercisable and shall then be fully or partially unexercisable and fully or partially forfeited if the exercisable portion, or any part thereof, of the underlying Option is exercised, and vice versa.

A naked SAR may be granted irrespective of whether the recipient holds, is being granted or has been granted any Options under any stock plan of the Company. A naked SAR may be granted irrespective of whether the recipient holds, is being granted or has been granted any tandem SARs. A naked SAR may be made exercisable without regard to the exercisability of any Option.

Units. The Stock Plan provides that performance awards in the form of Units may be granted either independently of or in tandem with a Stock Right, except that such Units shall not be granted in tandem with ISOs. Units granted shall be based on various performance factors and have such other terms and conditions at the discretion of the Administrator. As of October 24, 2003, the Company had not granted any Units under the Stock Plan.

Termination and Amendment of the Stock Plan. The Board of Directors may terminate or amend the Stock Plan in any respect or at any time, except that no amendment requiring stockholder approval under the provisions of the Code and related regulations relating to ISOs or under Rule 16b-3 will be effective without approval of stockholders as required and within the times set by such rules.

Employment Agreements

The Company entered into an employment agreement with Dr. Burton J. Kunik on December 11, 2002 (effective January 1, 2003). This agreement provides for a two-year term, unless terminated as provided therein, an annual salary of \$200,000 and an incentive bonus at the discretion of the Compensation Committee. In conjunction with the execution of the Agreement in December 2002, Mr. Kunik received a cash bonus in the amount of \$80,000.

The employment agreement with Dr. Kunik provides that if he is terminated without "cause" (as defined in the employment agreement) or if he resigns his employment for "good reason" (as defined in the employment agreement), he will be entitled to, at his election, either (i) a lump-sum payment in the amount equal to his base salary for the unexpired term of the agreement or (ii) continuation of his base salary and benefits through the unexpired term of the employment agreement.

Dr. Kunik's employment agreement is subject to early termination as provided therein, including termination by the Company for "cause" (as defined in the employment agreement) or termination by the employee for "good reason" (as defined in the employment agreement). The employment agreement also provides that if, at any time within 12 months of a change of control (as defined), the employee ceases to be an employee by reason of (i) termination by the employer without "cause" (as defined in the employment agreement) or (ii) voluntary termination by the employee for "good reason upon change of control" (as defined in the employment agreement), in addition to the severance stated above, he shall receive an additional payment that, when added to all other payments received in connection with a change of control, will result in the maximum amount allowed to be paid to an employee without triggering an excess parachute payment (as defined by the Internal Revenue Code), and all benefits (as defined by the employment agreement) shall continue throughout the remainder of the term of the agreement. In the event the

employer is merged or acquires a company in a field outside of the current product alignment, the employer and the employee could consider the assignment of existing product lines and technology to the employee or his assignee as part of or in lieu of the above severance pay.

The Company entered into an employment agreement with its Chief Operating Officer, Ronald E. Pierce on July 14, 2003. The agreement expires one year from its effective date, subject to automatic annual extensions, unless the Company elects to terminate the agreement. The employment agreement provides that if the Company terminates the employment without cause (including the Company's election to not extend the employment agreement at any renewal date), Mr. Pierce would be entitled to

17

one year's salary (\$170,000), plus a pro-rata portion of any earned bonus. Additionally, Mr. Pierce would be entitled to continuation of benefits until the earlier of the end of the severance period or employment with another organization.

Mr. Pierce is entitled to a bonus of \$40,000 immediately after the first month when the Company reports at least \$10 million in revenue and \$500,000 in net profit for a trailing twelve month period. Additionally, Mr. Pierce is entitled to an additional bonus of \$40,000 immediately after the first month when the Company reports at least \$12 million in revenue and \$500,000 in net profit for a trailing twelve month period. No bonus payments have been made under this arrangement. Subsequent to the achievement of the above noted parameters, Mr. Pierce will be entitled to participate in a Board of Director approved incentive compensation plan.

The Company entered into an employment agreement with its Senior Vice President and Chief Financial Officer, David P. Tusa on July 14, 2003. The agreement expires one year from its effective date, subject to automatic annual extensions, unless the Company elects to terminate the agreement. The employment agreement provides that if the Company terminates the employment without cause (including the Company's election to not extend the employment agreement at any renewal date), Mr. Tusa would be entitled to nine month's salary (\$112,500), plus a pro-rata portion of any earned bonus. Additionally, Mr. Tusa would be entitled to continuation of benefits until the earlier of the end of the severance period or employment with another organization. Mr. Tusa is also entitled to participate in a Board of Director approved incentive compensation plan.

The Company entered into an employment agreement with its Senior Vice President of Sales and Marketing, Michael D. Archer on July 14, 2003. The agreement expires one year from its effective date, subject to automatic annual extensions, unless the Company elects to terminate the agreement. The employment agreement provides that if the Company terminates the employment without cause (including the Company's election to not extend the employment agreement at any renewal date), Mr. Archer would be entitled to six month's salary (\$75,000), plus a pro-rata portion of any earned bonus. Additionally, Mr. Archer would be entitled to continuation of benefits until the earlier of the end of the severance period or employment with another organization. Mr. Archer is also entitled to participate in a Board of Director approved incentive compensation plan.

Compensation Committee Interlocks and Insider Participation

Messrs. Cooke, Gillman and Holmes are the current members of the Compensation Committee, with Mr. Cooke serving as Chairman. Mr. Cooke and Mr. Holmes serve as Directors of New Century. New Century owns 900,000 shares of common stock of the Company which represents 8.5% of the issued and outstanding shares of the Company at record date.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Dr. Burton J. Kunik, a director of the Company and nominee for election as a director of the Company, Chairman of the Board, Chief Executive Officer and President of the Company, owns 2,572,010 shares of Common Stock of the Company and holds options to acquire 355,000 additional shares of Common Stock of the Company. Parris H. Holmes, Jr., a director of the Company, a nominee for election as a director of the Company beneficially owns 855,446 shares of Common Stock of the Company and beneficially holds options to acquire 384,902 additional shares of Common Stock of the Company. John W. Dalton owns 1,100,000 shares of Common Stock of the Company and holds options to acquire 270,000 additional shares of Common Stock of the Company. Mr. Dalton was issued 125,000 fully vested non-Stock Plan options with an exercise price of \$0.80 per share, for services performed in conjunction with the September 24, 2003 Private Placement of 625,000 common shares of the Company.

18

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Dr. Kunik executed a personal liability promissory note dated November 18, 2001 in the principal amount of \$320,000 payable to the Company. The principal amount bore interest at the rate of 8% per annum. This note plus interest was repaid in full on December 31, 2002.

The Chief Financial Officer ("CFO") of the Company also serves as the CFO of New Century, a 8.5% shareholder in the Company. The Company reimburses New Century for certain expenses incurred by the CFO including a portion of the CFO's salary and benefits. The Company also reimburses New Century for temporary living and relocation expenses incurred by Mr. Tusa. At June 30, 2003, \$27,958 was payable by the Company to New Century for the unpaid portion of the above noted expenses.

On September 24, 2003, the Company completed a Private Placement of 625,000 shares of common stock at a price of \$0.80 per share. Certain members of the Board of Directors of the Company participated in the financing as follows: (i) Ramsay Gillman (150,000 shares), (ii) Parris H. Holmes, Jr. (62,500 shares), (iii) F. Gardner Parker (50,000 shares) and (iv) Philip C. Zerrillo (5,000 shares).

SECTION 16(a) REPORTING

Paragraph 16(a) of the Securities Exchange Act of 1934, as amended, requires that the Company's directors, executive officers and persons who beneficially own more than 10% of a registered class of the Company's equity securities file with the Commission initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Directors, executive officers and greater than 10% stockholders are required by Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of the Section 16(a) reports furnished to the Company during the fiscal year ended June 30, 2003, all Section 16(a) filing requirements applicable to its directors, executive officers and greater than 10% beneficial owners were complied with.

STOCKHOLDERS' PROPOSALS FOR 2004 ANNUAL MEETING

Any proposals of holders of Common Stock intended to be presented pursuant to Rule 14a-8 under the Exchange Act ("Rule 14a-8") at the Annual Meeting of Stockholders to be held in 2004 must be received by the Company, addressed to the Corporate Secretary of the Company at 9350 Kirby Drive, Suite 300, Houston, Texas 77054, by July 7, 2004 to be considered for inclusion in the Company's proxy statement and form of proxy related to such meeting. After July 7, 2004, notice to the Company of a stockholder proposal submitted otherwise than pursuant to Rule 14a-8 will be considered untimely, and the person named in proxies solicited by the Board of Directors of the Company for its 2004 Annual Meeting of Stockholders may exercise discretionary authority voting power with respect to any such proposal as to which the Company does not receive timely notice.

By order of the Board of Directors

/s/ DAVID P. TUSA

David P. Tusa

Corporate Secretary

Houston, Texas
November 7, 2003

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. STOCKHOLDERS WHO DO NOT EXPECT TO ATTEND THE ANNUAL MEETING AND WISH THEIR STOCK TO BE VOTED ARE URGED TO DATE, SIGN AND RETURN THE ACCOMPANYING PROXY OR PROXIES IN THE SELF-ADDRESSED ENVELOPE.

ANNEX A

SHARPS COMPLIANCE CORP. AUDIT COMMITTEE CHARTER

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1. *Members.* The Board of Directors of Sharps Compliance Corp. ("Sharps" or "the Company") shall appoint an Audit Committee of at least three members, consisting entirely of independent directors of the Board, and shall designate one member as chairperson or delegate the authority to designate a chairperson to the Audit Committee. Members of the Audit Committee shall be appointed by the Board of Directors of the Company. For purposes hereof, the term "independent" shall mean a director who meets the independence requirements of the Securities and Exchange Commission ("SEC").

Each member of the Audit Committee must be financially literate and at least one member must have accounting or related financial management expertise, as determined by the Board. In addition, at least one member of the Audit Committee shall be an "audit committee financial expert," as determined by the Board in accordance with the then effective SEC rules and regulations.

2. *Purposes, Duties, and Responsibilities.*

The purposes of the Audit Committee shall be to:

represent and assist the Board of Directors in discharging its oversight responsibility relating to: (i) the accounting, reporting, and financial practices of the Company and its subsidiaries, including the integrity of the Company's financial statements; (ii) the surveillance of administration and financial controls and the Company's compliance with legal and regulatory requirements; (iii) the outside auditor's qualifications and independence; and (iv) the performance of the Company's outside auditor; and

review the report required by the rules of the SEC to be included in the Company's annual proxy statement.

Among its specific duties and responsibilities, the Audit Committee shall:

(i) Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation and oversight of the work of the outside auditor. In this regard, the Audit Committee shall appoint and retain, compensate, evaluate, and terminate, when appropriate, the outside auditor, which shall report directly to the Audit Committee.

(ii) Obtain and review, at least annually, a report by the outside auditor describing: the outside auditor's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer review, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the outside auditing firm, and any steps taken to deal with any such issues.

(iii) Approve in advance all audit services to be provided by the outside auditor. By approving the audit engagement, an audit service within the scope of the engagement shall be deemed to have been pre-approved.

(iv) Establish policies and procedures for the engagement of the outside auditor to provide audit and permissible non-audit services, which shall include pre-approval of all permissible non-audit services to be provided by the outside auditor.

(v) Consider, at least annually, the independence of the outside auditor, including whether the outside auditor's performance of permissible non-audit services is compatible with the auditor's independence, and obtain and review a report by the outside auditor describing any relationships

between the outside auditor and the Company or any other relationships that may adversely affect the independence of the auditor.

(vi) Review and discuss with the outside auditor: (A) the scope of the audit, the results of the annual audit examination by the auditor, and any difficulties the auditor encountered in the course of their audit work, including any restrictions on the scope of the outside auditor's activities or on access to requested information, and any significant disagreements with management; and (B) any reports of the outside auditor with respect to interim periods.

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(vii) Review and discuss with management and the outside auditor the annual audited and quarterly reviewed financial statements of the Company, including: (A) an analysis of the auditor's judgment as to the quality of the Company's accounting principles, setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; (B) the Company's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations," including accounting policies that may be regarded as critical; and (C) major issues regarding the Company's accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles and financial statement presentations; and receive reports from the outside auditor as required by SEC rules.

(viii) Recommend to the Board based on the review and discussion described in paragraphs (v) - (vii) above, whether the financial statements should be included in the Annual Report on Form 10-KSB.

(ix) Review and discuss the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the outside auditor or management.

(x) Review and discuss the adequacy and effectiveness of the Company's disclosure controls and procedures and management reports thereon.

(xi) Review and discuss with the principal internal auditor of the Company the scope and results of the internal audit program.

(xii) Review and discuss corporate policies with respect to earnings press releases, as well as financial information and earnings guidance provided to analysts and ratings agencies.

(xiii) Review and discuss the Company's policies with respect to risk assessment and risk management.

(xiv) Oversee the Company's compliance systems with respect to legal and regulatory requirements.

(xv) Establish procedures for handling complaints regarding accounting, internal accounting controls and auditing matters, including procedures for confidential, anonymous submission of concerns by employees regarding accounting and auditing matters.

(xvi) Establish policies for the hiring of employees and former employees of the outside auditor.

(xvii) Annually evaluate the performance of the Audit Committee and assess the adequacy of the Audit Committee charter.

3. *Outside Advisors.* The Audit Committee shall have the authority to retain such outside counsel, accountants, experts and other advisors as it determines appropriate to assist it in the performance of its functions and shall receive appropriate funding, as determined by the Audit Committee, from the Company for payment of compensation to any such advisors.

4. *Meetings.* The Audit Committee shall meet at least four times per year, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet separately in executive session as deemed appropriate. The Audit Committee shall report regularly to the full Board of Directors with respect to its activities. The majority of the members of the Audit Committee shall constitute a quorum.

ý	PLEASE MARK VOTES AS IN THIS EXAMPLE	REVOCABLE PROXY SHARPS COMPLIANCE CORP.	For	With- hold	For All Except
	ANNUAL MEETING OF STOCKHOLDERS DECEMBER 9, 2003	1. PROPOSAL TO ELECT SIX DIRECTORS TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF STOCKHOLDERS OR UNTIL THE ELECTION AND QUALIFICATION OF THEIR RESPECTIVE SUCCESSORS.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
	THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS				
	The undersigned hereby appoint(s) Dr. Burton J. Kunik and David P. Tusa, and each of them, as Proxies, each with the power to appoint his substitute, and hereby authorizes each of them to represent and vote, as designated below, all of the shares of the Common Stock, par value \$0.01	C. LEE COOKE, JR., PARRIS H. HOLMES, JR., DR. BURTON J. KUNIK, PHILIP C. ZERRILLO, RAMSAY GILLMAN AND F. GARDNER PARKER			

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per share, of Sharps Compliance Corp. (the "Company") held of record by the undersigned at the close of business on October 24, 2003, at the Annual Meeting of Stockholders to be held on December 9, 2003, or any adjournment(s) thereof.

INSTRUCTION: To withhold authority to vote for any individual nominee, mark "For All Except" and write that nominee's name in the space provided below.

	For	Against	Abstain
2. IN THEIR DISCRETION, THE PROXIES ARE AUTHORIZED TO VOTE UPON SUCH OTHER BUSINESS AS MAY PROPERLY COME BEFORE THE MEETING.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder(s). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED "FOR" THE ELECTION OF THE NOMINEES UNDER PROPOSAL 1 and in the discretion of the Proxies with respect to any other matter that is properly presented at the meeting.

Please be sure to sign and date this Proxy in the box below.

Date

Stockholder sign above

Co-holder (if any) sign above

Detach above card, sign, date and mail in postage paid envelope provided.

SHARPS COMPLIANCE CORP.

Please execute this proxy as your name appears hereon. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by the president or other authorized officer. If a partnership, please sign in partnership name by authorized person.

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED.

QuickLinks

[UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 SCHEDULE 14A](#)
[PROXY STATEMENT PURSUANT TO SECTION 14\(a\) OF THE SECURITIES EXCHANGE ACT OF 1934 \(AMENDMENT NO. \)](#)
[NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 9, 2003](#)
[PROXY STATEMENT ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON DECEMBER 9, 2003 SOLICITATION AND REVOCABILITY OF PROXIES](#)
[INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE](#)
[INDEPENDENT PUBLIC ACCOUNTANTS](#)
[AUDIT FEES](#)
[AUDIT-RELATED FEES](#)
[TAX FEES](#)
[ALL OTHER FEES](#)
[ADDITIONAL INFORMATION](#)
[VOTING SECURITIES AND PRINCIPAL STOCKHOLDERS](#)
[ITEM 1 ELECTION OF DIRECTORS](#)
[ITEM 2 OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING](#)
[MANAGEMENT](#)
[EXECUTIVE COMPENSATION](#)
[Summary Compensation Table](#)
[CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS](#)

SECTION 16(a) REPORTING

STOCKHOLDERS' PROPOSALS FOR 2004 ANNUAL MEETING

ANNEX A SHARPS COMPLIANCE CORP. AUDIT COMMITTEE CHARTER