SHARPS COMPLIANCE CORP
Form 10-Q
February 01, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to .

Commission File Number: 001-34269

SHARPS COMPLIANCE CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	74-2657168 (I.R.S. Employer Identification No.)
9220 Kirby Drive, Suite 500, Houston, Texas (Address of principal executive offices)	77054 (Zip Code)

(713) 432-0300
(Registrant's telephone number, including area code)

Indicate by check mark if the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No

Indicate by check mark whether the registrant is a large accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

Large Accelerated Filer o	Accelerated Filer ý	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12(b)-2 of the Exchange Act). Yes o No ý

As of January 30, 2012, there were 15,096,291 outstanding shares of the Registrant's common stock, par value $0.01 per share.

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES

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PART IFINANCIAL INFORMATION
ITEM 1.FINANCIAL STATEMENTS

SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2011	June 30, 2011
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 18,343	$ 18,280
Accounts receivable, net of allowance for doubtful accounts of $24 and $26, respectively	2,600	3,065
Inventory	2,483	1,770
Prepaid and other current assets	917	857
Deferred income taxes	233	203
TOTAL CURRENT ASSETS	24,576	24,175
PROPERTY, PLANT AND EQUIPMENT, net	4,993	5,350
DEFERRED INCOME TAXES, non-current	890	748
INTANGIBLE ASSETS, net of accumulated amortization of $242 and $227, respectively	376	325
TOTAL ASSETS	$ 30,835	$ 30,598
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,193	$ 965
Accrued liabilities	1,331	1,260
Deferred revenue	1,773	1,724
TOTAL CURRENT LIABILITIES	4,297	3,949
LONG-TERM DEFERRED REVENUE	329	401
OTHER LONG TERM LIABILITIES	240	383
TOTAL LIABILITIES	4,866	4,733
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $0.01 par value per share; 20,000 shares authorized;		

15,096 and 15,053 shares issued and outstanding, respectively	151	151
Additional paid-in capital	22,003	21,602
Retained earnings	3,815	4,112
TOTAL STOCKHOLDERS' EQUITY	25,969	25,865
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$30,835	$30,598

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

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per-share data)

	Three-Months Ended December 31, 2011	2010
	(Unaudited)	
REVENUES	$6,212	$4,611
COSTS AND EXPENSES		
Cost of revenues	4,065	3,385
Selling, general and administrative	1,997	2,339
Depreciation and amortization	116	87
TOTAL COSTS AND EXPENSES	6,178	5,811
OPERATING INCOME (LOSS)	34	(1,200)
OTHER INCOME		
Other income	9	15
TOTAL OTHER INCOME	9	15
INCOME (LOSS) BEFORE INCOME TAXES	43	(1,185)
INCOME TAX EXPENSE (BENEFIT)		
Current	2	(981)
Deferred	13	603
TOTAL INCOME TAX EXPENSE (BENEFIT)	15	(378)
NET INCOME (LOSS)	$28	$(807)
NET INCOME (LOSS) PER COMMON SHARE		
Basic	$0.00	$(0.05)
Diluted	$0.00	$(0.05)
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME (LOSS) PER COMMON SHARE:		
Basic	15,077	14,920
Diluted	15,404	14,920

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

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per-share data)

	Six-Months Ended December 31, 2011	Six-Months Ended December 31, 2010
	(Unaudited)	(Unaudited)
REVENUES	$11,955	$9,844
COSTS AND EXPENSES		
Cost of revenues	7,989	6,806
Selling, general and administrative	4,207	4,714
Special charge	-	570
Depreciation and amortization	223	176
TOTAL COSTS AND EXPENSES	12,419	12,266
OPERATING LOSS	(464)	(2,422)
OTHER INCOME		
Other income	6	28
TOTAL OTHER INCOME	6	28
LOSS BEFORE INCOME TAXES	(458)	(2,394)
INCOME TAX EXPENSE (BENEFIT)		
Current	-	(1,342)
Deferred	(161)	552
TOTAL INCOME TAX BENEFIT	(161)	(790)
NET LOSS	$(297)	$(1,604)
NET LOSS PER COMMON SHARE		
Basic	$(0.02)	$(0.11)
Diluted	$(0.02)	$(0.11)
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET LOSS PER COMMON SHARE:		
Basic	15,071	14,914
Diluted	15,071	14,914

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Total Stockholders' Equity
Balances, June 30, 2010	14,891,754	$149	$19,705	$7,087	$ 26,941
Exercise of stock options	62,500	1	48	-	49
Stock-based compensation	-	-	871	-	871
Issuance of restricted stock	99,062	1	(1)	-	-
Excess tax benefit from stock-based award activity	-	-	979	-	979
Net Loss	-	-	-	(2,975)	(2,975)
Balances, June 30, 2011	15,053,316	151	21,602	4,112	25,865
Exercise of stock options*	14,103	-	13	-	13
Stock-based compensation*	-	-	376	-	376
Issuance of restricted stock*	28,872	-	-	-	-
Excess tax benefit from stock-based award activity*	-	-	12	-	12
Net Loss*	-	-	-	(297)	(297)
Balances, December 31, 2011*	15,096,291	$151	$22,003	$3,815	$ 25,969

* unaudited

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

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six-Months Ended December 31, 2011	2010
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$(297)	$(1,604)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	548	499
Loss on disposal of property, plant and equipment	13	-
Stock-based compensation expense	376	507
Excess tax benefits from stock-based award activity	(12)	(964)
Deferred tax (benefit) expense	(161)	552
Changes in operating assets and liabilities:		
Decrease in accounts receivable	465	19
Increase in inventory	(713)	(383)
Increase in prepaid and other current assets	(60)	(441)
Increase in accounts payable and accrued liabilities	156	861
(Decrease) increase in deferred revenue	(23)	99
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	292	(855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(189)	(248)
Additions to intangible assets	(65)	(84)
NET CASH USED IN INVESTING ACTIVITIES	(254)	(332)
CASH FLOWS FROM FINANCING ACTIVITIES		
Excess tax benefits from stock-based award activity	12	964
Proceeds from exercise of stock options	13	2
NET CASH PROVIDED BY FINANCING ACTIVITIES	25	966
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	63	(221)
CASH AND CASH EQUIVALENTS, beginning of period	18,280	18,068
CASH AND CASH EQUIVALENTS, end of period	$18,343	$17,847

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

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SHARPS COMPLIANCE CORP. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - ORGANIZATION AND BACKGROUND

The accompanying unaudited condensed consolidated financial statements include the financial transactions and accounts of Sharps Compliance Corp. and its wholly owned subsidiaries, Sharps Compliance, Inc. of Texas (dba Sharps Compliance, Inc.), Sharps e-Tools.com, Inc. (“Sharps e-Tools”), Sharps Manufacturing, Inc., Sharps Environmental Services, Inc. (dba Sharps Environmental Services of Texas, Inc.) and Sharps Safety, Inc. (collectively, “Sharps”, “We” or the “Company”). All significant intercompany accounts and transactions have been eliminated upon consolidation.

NOTE 2 - BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information and with instructions to Form 10-Q and, accordingly, do not include all information and footnotes required under accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of December 31, 2011, the results of its operations and cash flows for the three and six months ended December 31, 2011 and 2010 and stockholders’ equity for the year ended June 30, 2011 and six months ended December 31, 2011. The results of operations for the three and six months ended December 31, 2011 are not necessarily indicative of the results to be expected for the entire fiscal year ending June 30, 2012. These unaudited condensed consolidated financial statements should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended June 30, 2011.

NOTE 3 - SIGNIFICANT ACCOUNTING POLICIES

REVENUE RECOGNITION

The Company recognizes revenue from product sales when goods are shipped or delivered, and title and risk of loss pass to the customer except for those sales via multiple-deliverable arrangements. Provisions for certain rebates, product returns and discounts to customers are accounted for as reductions in sales in the same period the related sales are recorded.

Product discounts granted are based on the terms of arrangements with direct, indirect and other market participants, as well as market conditions, including prices charged by competitors. Rebates are estimated based on contractual terms, historical experience, trend analysis and projected market conditions in the various markets served.

The Company recognizes revenue in accordance with guidance on revenue recognition of multiple-deliverable revenue arrangements. On July 1, 2010, the Company adopted ASU No. 2009-13 which further clarified guidance on revenue recognition for multiple-deliverable revenue arrangements, changing the way the Company allocates arrangement consideration to the separate units of accounting. Under this guidance, certain products offered by the Company have revenue producing components that are recognized over multiple delivery points (Sharps Recovery System™ (formerly the Sharps Disposal by Mail Systems®) and various TakeAway Environmental Return Systems™ referred to as “Mailbacks” and Sharps® Pump and Asset Return Boxes, referred to as “Pump Returns”) and can consist of up to three separate elements, or units of measure, as follows: (1) the sale of the compliance and container system, (2) return transportation and (3) treatment service.

Prior to July 1, 2010, the individual fair value of the transportation and treatment services were determined by the sales price of the service offered by third parties, with the fair value of the compliance and container being the residual value. Beginning July 1, 2010, under the relative selling price methodology, an estimated selling price is determined for all deliverables that qualify for separate units of accounting. The actual consideration received in a multiple-deliverable arrangement is then allocated to the units based on their relative sales price. Because an estimated selling price must be set for each unit, the residual method used previously by the Company to allocate consideration to the compliance and container system is no longer allowed. The selling price for the transportation revenue and the treatment revenue, which utilizes third party evidence, did not change from the prior method. The Company estimates the selling price of the compliance and container system based on the product and services provided including compliance with local, state and Federal laws, adherence to stringent manufacturing and testing requirements, safety to the patient and the community as well as storage and containment capabilities.

Revenue for the sale of the compliance and container is recognized upon delivery to the customer, at which time the customer takes title and assumes risk of ownership. Transportation revenue is recognized when the customer returns the compliance and container system and the container has been received at the Company’s facility. The compliance and container system is mailed or delivered by an alternative logistics provider to the Company’s facility. Treatment revenue is recognized upon the destruction or conversion and proof of receipt and treatment having been performed on the container. Since the transportation element and the treatment elements are undelivered services at the point of initial sale of the compliance and container, transportation and treatment 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 treatment elements are recognized at the point of sale.

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ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of amounts due to us from our normal business activities. Accounts receivable balances are determined to be delinquent when the amount is past due based on the contractual terms with the customer. The Company maintains an allowance for doubtful accounts to reflect the expected uncollectibility of accounts receivable based on past collection history and specific risks identified among uncollected accounts. Accounts receivable are charged to the allowance for doubtful accounts when the Company has determined that the receivable will not be collected and/or when the account has been referred to a third party collection agency. The Company has a history of minimal uncollectible accounts.

NOTE 4 – RECENTLY ISSUED ACCOUNTING STANDARDS

There are no recently issued accounting pronouncements that impact the Company's condensed consolidated financial statements as of December 31, 2011.

NOTE 5 - INCOME TAXES

The Company's effective tax rate for the six months ended December 31, 2011 was 35.2% compared to 33.0% for the six months ended December 31, 2010 and 33.8% for the fiscal year ended June 30, 2011. The effective tax rate for the six months ended December 31, 2011 is higher due the expected impact of state income taxes as a result of forecasted fiscal year 2012 income.

NOTE 6 - NOTES PAYABLE AND LONG-TERM DEBT

The Company's Credit Agreement with Wells Fargo Bank, National Association provides for a two-year, $5.0 million line of credit facility, the proceeds of which may be utilized for: (i) working capital, (ii) capital expenditures, (iii) letters of credit (up to $500,000), (iv) acquisitions (up to $1,000,000) and (v) general corporate purposes. As of December 31, 2011, the Company had no outstanding borrowings, $106 thousand in letters of credit outstanding, and $4.9 million of credit available.

Indebtedness under the Credit Agreement is secured by substantially all of the Company's assets. Borrowings bear interest at either (i) a fluctuating rate per annum equal to LIBOR plus a margin of 250 basis points or (ii) at the Company's option, a fixed rate for a 30, 60, or 90 day period set at the option date's LIBOR plus a margin of 250 basis points. Any outstanding revolving loans, and accrued and unpaid interest, will be due and payable on July 15, 2012, the maturity date of the Credit Agreement. The Company pays a fee of 0.2% per annum on the unused amount of the line of credit. The Company estimates that the interest rate applicable to the borrowings under the Credit Agreement would be approximately 3.1% as of December 31, 2011.

The Credit Agreement contains affirmative and negative covenants that, among other things, require the Company to maintain a minimum level of tangible net worth of $21 million and not exceed a ratio of liabilities to tangible net worth of 1.0 to 1.0. As of December 31, 2011, the Company is in compliance with all financial covenants. The Credit Agreement also contains customary events of default. Upon the occurrence of an event of default that remains uncured after any applicable cure period, the lenders' commitment to make further loans may terminate and the Company may be required to make immediate repayment of all indebtedness to the lenders. The Credit Agreement expires on July 15, 2012.

NOTE 7 – STOCK-BASED COMPENSATION

Stock-based compensation cost is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity grant). Total stock-based compensation for the three months ended December 31, 2011 and 2010 was $257 thousand ($18 thousand included in cost of revenues and $239 thousand included in general and administrative expense in the Company's condensed consolidated statement of operations) and $292 thousand ($25 thousand included in cost of revenues and $267 thousand included in general and administrative expense in the Company's condensed consolidated statement of operations), respectively. Total stock-based compensation for the six months ended December 31, 2011 and 2010 was $376 thousand ($38 thousand included in cost of revenues and $338 thousand included in general and administrative expense in the Company's condensed consolidated statement of operations) and $507 thousand ($45 thousand included in cost of revenues and $462 thousand included in general and administrative expense in the Company's condensed consolidated statement of operations), respectively.

Reductions in taxes payable resulting from tax deductions that exceed the recognized tax benefit associated with compensation expense (excess tax benefits) are classified as financing cash flows and as an increase to additional paid in capital. The Company's excess tax benefits included in its cash flows from financing activities for the six months ended December 31, 2011 and 2010 was $12 thousand and $964 thousand, respectively.

In conjunction with the retirement and separation agreement of Dr. Burton Kunik, effective September 30, 2010, the Company recognized an additional $73 thousand in stock-based compensation expense which is included in the Special Charge on the accompanying statement of operations for the six months ended December 31, 2010.

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NOTE 8 - EARNINGS PER SHARE

Earnings per share are measured at two levels: basic per share and diluted per share. Basic per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted per share is computed by dividing net income by the weighted average number of common shares after considering the additional dilution related to common stock options and restricted stock. In computing diluted earnings per share, the outstanding common stock options are considered dilutive using the treasury stock method. Vested restricted shares are included in basic common shares outstanding, and unvested restricted shares are included in the diluted common shares outstanding, if the effect is dilutive.

The following information is necessary to calculate earnings per share for the periods presented (in thousands, except per-share data):

	Three-Months Ended December 31,		Six-Months Ended December 31,	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Net income (loss), as reported	$ 28	$ (807)	$ (297)	$ (1,604)
Weighted average common shares outstanding	15,077	14,920	15,071	14,914
Effect of dilutive stock options	327	-	-	-
Weighted average diluted common shares outstanding	15,404	14,920	15,071	14,914
Net income (loss) per common share				
Basic	$ 0.00	$ (0.05)	$ (0.02)	$ (0.11)
Diluted	$ 0.00	$ (0.05)	$ (0.02)	$ (0.11)
Employee stock options excluded from computation of dilutive income per share amounts because their effect would be anti-dilutive	513	412	538	412

NOTE 9 - EQUITY TRANSACTIONS

During the three and six months ended December 31, 2011 and 2010, stock options to purchase shares of the Company’s common stock were exercised as follows:

	Three-Months Ended December 31,		Six-Months Ended December 31,	
	2011	2010	2011	2010

	(Unaudited)		(Unaudited)	
Options exercised	-	-	14,103	2,000
Proceeds (in thousands)	$ -	$ -	$ 13	$ 2
Average exercise price per share	$ -	$ -	$ 0.95	$ 0.84

As of December 31, 2011, there was $991 thousand of stock option and restricted stock compensation expense related to non-vested awards which is expected to be recognized over a weighted average period of 2.4 years.

NOTE 10 – INVENTORY

The components of inventory are as follows (in thousands):

	December 31, 2011	June 30, 2011
	(Unaudited)	
Raw materials	$ 1,271	$ 790
Finished goods	1,212	980
Total	$ 2,483	$ 1,770

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NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company considers the fair value of all financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, not to be materially different from their carrying values at year-end due to their short-term nature.

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ITEM 2.

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

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This quarterly report on Form 10-Q contains certain forward-looking statements and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate", "believe", "expect", "estimate", "project" and "intend" and words or phrases of similar import, as they relate to the Company its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors, including without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, expected, estimated or intended. The Company does not intend to update these forward-looking statements.

GENERAL

Sharps Compliance Corp. is a leading full-service provider of cost-effective solutions designed for the proper management of for medical waste, used healthcare materials and unused dispensed medications. Our solutions facilitate the proper treatment of numerous types of medical waste, used healthcare materials and unused dispensed medications, including hypodermic needles, lancets and other devices or objects used to puncture or lacerate the skin, or sharps, and unused dispensed prescription and over-the-counter drugs and medications. We serve customers in multiple markets such as home health care, retail clinics and immunizing pharmacies, pharmaceutical manufacturers, professional offices (physicians, dentists and veterinarians), hospitality (including assisted living facilities, hotels, motels and restaurants), government (federal, state and local), consumers, commercial, industrial and agriculture, and distributors to many of the aforementioned markets. We assist our customers in determining which of our distinct solution offerings best fit their needs for the collection, storage, return transportation and treatment of their or their patients' medical waste and unused dispensed medications. Our differentiated approach provides our customers the flexibility to return and ultimately properly treat their or their patients' medical waste or unused dispensed medications through pre-paid mail services primarily through the United States Postal Service ("USPS"). Furthermore, we provide comprehensive tracking and reporting tools that enable our customers to meet complex medical waste disposal and unused dispensed patient medication compliance requirements. We believe the fully-integrated nature of our operations is a key factor leading to our success and continued recurring revenue growth. The Company's primary solutions include Sharps Recovery System™ (formerly Sharps Disposal by Mail System®), TakeAway Recovery System™, Complete Needle™ Collection and Disposal System, TakeAway Environmental Return System™, Rx TakeAway Recovery and Reporting System™, Sharps Recovery System™ Needle Collection and Mailback Disposal, Sharps® MWMS™, Sharps Secure® Needle Collection and Containment System, Pitch-It IV™ Poles, Trip LesSystem®, Sharps® Pump and Asset Return System, IsoWash® Linen Recovery System and Biohazard Spill Clean-Up Kit and Disposal System.

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RESULTS OF OPERATIONS

The following analyzes changes in the consolidated operating results and financial condition of the Company during the three and six months ended December 31, 2011 and 2010. The following table sets forth, for the periods indicated, certain items from the Company's Condensed Consolidated Statements of Operations, dollars in thousands and percentages expressed as a percentage of revenue:

	Three-Months Ended December 31,				Six-Months Ended December 31,			
	2011	%	2010	%	2011	%	2010	%
	(Unaudited)				(Unaudited)			
Revenues	$ 6,212	100.0%	$ 4,611	100.0%	$ 11,955	100.0%	$ 9,844	100.0%
Cost of revenues	4,065	65.4 %	3,385	73.4 %	7,989	66.8 %	6,806	69.1 %
Gross profit	2,147	34.6 %	1,226	26.6 %	3,966	33.2 %	3,038	30.9 %
SG&A expense	1,997	32.1 %	2,339	50.7 %	4,207	35.2 %	4,714	47.9 %
Special charge	-	0.0 %	-	0.0 %	-	0.0 %	570	5.8 %
Depreciation and amortization	116	1.9 %	87	1.9 %	223	1.9 %	176	1.8 %
Operating income (loss)	34	0.5 %	(1,200)	(26.0 %)	(464)	(3.9 %)	(2,422)	(24.6 %)
Other income	9	0.1 %	15	0.3 %	6	0.1 %	28	0.3 %
Income (loss) before income taxes	$ 43	0.7 %	$ (1,185)	(25.7 %)	$ (458)	(3.8 %)	$ (2,394)	(24.3 %)
Income tax expense (benefit)	15	0.2 %	(378)	(8.2 %)	(161)	(1.3 %)	(790)	(8.0 %)
Net income (loss)	$ 28	0.5 %	$ (807)	(17.5 %)	$ (297)	(2.5 %)	$ (1,604)	(16.3 %)
Net income (loss) per share								
Basic	$ 0.00		$ (0.05)		$ (0.02)		$ (0.11)	
Diluted	$ 0.00		$ (0.05)		$ (0.02)		$ (0.11)	
Weighted Average Shares Outstanding								
Basic	15,077		14,920		15,071		14,914	
Diluted	15,404		14,920		15,071		14,914	

THREE MONTHS ENDED DECEMBER 31, 2011 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2010

Total revenues for the three months ended December 31, 2011 of $6.2 million increased by $1.6 million, or 34.7%, over the total revenues for the three months ended December 31, 2010 of $4.6 million. Billings by market are as follows (in thousands):

	Three-Months Ended December 31,