

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

FORM 10-KSB

|X| ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year ended December 31, 2005
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 001-14053

MILESTONE SCIENTIFIC INC.

(NAME OF SMALL BUSINESS ISSUER IN ITS CHARTER)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

13-3545623
(I.R.S. Employer
Identification No.)

220 South Orange Avenue, Livingston Corporate Park, Livingston, NJ 07039
(Address of Principal Executive Offices) (Zip Code)

Issuer's telephone number (973) 535-2717

Securities registered under Section 12(b) of the Exchange Act:

| TITLE OF EACH CLASS ----- | NAME OF EACH EXCHANGE ON WHICH REGISTERED ----- |
|--|---|
| Common Stock, par value \$.001 per share | American Stock Exchange and Pacific Stock Exchange |
| Warrants, each to purchase one share of common stock | American Stock Exchange |

Securities registered under Section 12(g) of the Exchange Act:
None

Check whether the issuer is not required to file reports pursuant to Section 13
or 15(d) of the Exchange Act. | |

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

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained
herein, and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to
this Form 10-KSB. |X|

Indicate by check mark whether the registrant is a shell company. Yes | | No |x|

For the year ended December 31, 2005, the revenues of the registrant were \$6,433,148.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, on the American Stock Exchange, on March 31, 2006 of \$1.16 was approximately \$10,271,126.

As of April 4, 2006 the issuer has a total of 11,561,214 shares of Common Stock, \$0.001 par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None

MILESTONE SCIENTIFIC INC.
FORM 10-KSB ANNUAL REPORT

TABLE OF CONTENTS

| | PAGE |
|---|------|
| | ---- |
| PART I | |
| Item 1. Description of Business..... | 3 |
| Item 2. Description of Property..... | 16 |
| Item 3. Legal Proceedings..... | 16 |
| Item 4. Submission of Matters to a Vote of Security Holders..... | 16 |
| PART II | |
| Item 5. Market for Common Equity and Related Stockholder Matters..... | 17 |
| Item 6. Management's Discussion and Analysis or Plan of Operation..... | 20 |
| Item 7. Financial Statements..... | 30 |
| Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.. | 30 |
| Item 8A. Controls and Procedures..... | 31 |
| PART III | |
| Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16 (a) of the Exchange Act | 32 |
| Item 10. Executive Compensation..... | 34 |
| Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters..... | 36 |
| Item 12. Certain Relationships and Related Transactions..... | 38 |
| Item 13. Exhibits..... | 39 |
| Item 14. Principal Accountant Fees and Services..... | 41 |
| SIGNATURES..... | 42 |
| EXHIBITS..... | 43 |

FORWARD-LOOKING STATEMENTS

Certain statements made in this Annual Report on Form 10-KSB are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. Such statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements of Milestone to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements included herein are based on current expectations that involve numerous risks and uncertainties. Milestone's plans and objectives are based, in part, on assumptions involving the continued expansion of business. Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of Milestone. Although Milestone believes that its assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, particularly in view of Milestone's early stage operations, the inclusion of such information should not be regarded as a representation by Milestone or any other person that the objectives and plans of Milestone will be achieved.

PART I

ITEM 1. DESCRIPTION OF BUSINESS

All references in this report to "we," "us," "our" or "Milestone" refer to Milestone Scientific Inc., and its former subsidiary, Spintech, Inc. ("Spintech"), unless the context otherwise indicates. We have rights to the following trademarks: CompuDent(R), CompuMed(R), CompuFlo(TM), The Wand(R), The WandPlus(R), The SafetyWand(TM) and CoolBlue(TM) Wand. Milestone was incorporated in the State of Delaware in 1989. On December 10, 2004, Milestone merged its three subsidiaries into itself in order to reduce administrative expenses. Two of the subsidiaries were wholly owned. The third, Spintech, was merged into Milestone by a short-form merger. Also on December 10, 2004 we purchased a 19.9% interest in a German wholesale distributorship that sells dental products including our CompuDent technology and CoolBlue product lines in Germany, the world's third largest dental market.

All share number and share price information in this report have been retroactively adjusted to reflect the 1-for-3 reverse stock split effected in January 2004.

BUSINESS

BACKGROUND

Milestone Scientific Inc. is the world leader in advanced injection technology. Its principal product, a computer controlled, precision metered, local anesthetic injection system (the "CompuDent"), enables a dentist to consistently administer safe, effective and painless injections. CompuDent is a revolutionary device, considered one of the major advances in dentistry of the twentieth century. It has been favorably evaluated in approximately 50 peer-reviewed or independent clinical research reports. In 2004, the CompuDent was prominently featured in the leading textbook on dental anesthesia, the "Handbook of Local Anesthesia" by Stanley F. Malamed, DDS.(1)

CompuDent, including its ergonomically designed single-use hand-piece ("The Wand"), provides numerous, well documented benefits:

- o CompuDent minimizes the pain associated with palatal, mandibular block and other injections, resulting in a more comfortable injection experience for the patient;
- o the pencil grip used with The Wand handpiece allows unprecedented tactile sense and accurate control;
- o new injections made possible with the CompuDent technology eliminate collateral numbness of the tongue, lips and facial muscles;
- o bi-directional rotation of The Wand handpiece eliminates needle deflection resulting in greater success and more rapid onset of anesthesia in mandibular block injections;
- o the use of a single patient use, disposable handpiece minimizes the risk of cross contamination;
- o the ergonomic design of The Wand handpiece makes an injection easier and less stressful to administer, lowering the risk of carpal tunnel syndrome.

Despite CompuDent's many benefits, including the administration of painless injections, dentists in the United States have been slow to give up the use of traditional syringes. Dentists have all been trained to use syringes in dental school and often have become accustomed to and comfortable with their use during many years of clinical practice, in spite of the obvious reluctance and/or fear of the patient in relation to injections administered by hypodermic syringe. There are approximately 40 million dental phobics, those people afraid to visit a dentist, in the United States. Therefore, there may be a disconnect in the way dentists perceive their patients' attitudes toward injection by hypodermic syringe. As a result of this disconnect,, sales were below expectations in 1999 and 2000 following a successful launch in early 1998

to "new adopters". By the end of 2000, Milestone had limited financial resources and was forced to choose between maintaining its leadership position in advanced injection technology and continuing to promote sales through high levels of sales and marketing expenses, including trade show appearances. Milestone chose to maintain its technology leadership position and drastically reduced marketing and sales expenses, thus allowing domestic sales of new units to suffer. However, despite limited marketing efforts, foreign sales continued to grow. Also, increasing handpiece use by the domestic customer base resulted in rising handpiece sales.

Warrants

The following table sets forth the high and low sales prices of our warrants, each to purchase one share of common stock, as quoted by the American Stock Exchange, commencing on March 18, 2004, their first day of trading.

| | | |
|--|-------|-------|
| 2004 | HIGH | LOW |
| | ---- | --- |
| First Quarter (Commencing March 18 and ending March 31)..... | \$.65 | \$.55 |
| Second Quarter..... | \$.70 | \$.25 |
| Third Quarter..... | \$.60 | \$.26 |
| Fourth Quarter..... | \$.52 | \$.26 |
| 2005 | HIGH | LOW |
| | ---- | --- |
| First Quarter..... | \$.80 | \$.27 |
| Second Quarter..... | \$.70 | \$.36 |
| Third Quarter..... | \$.48 | \$.25 |
| Fourth Quarter..... | \$.34 | \$.22 |

HOLDERS

According to the records of our transfer agent, there were approximately 3,800 shareholders of record of our common stock as of December 31, 2005.

DIVIDENDS

The holders of our Common Stock are entitled to receive such dividends as may be declared by Milestone's Board of Directors. Milestone has not paid and does not expect to declare or pay any dividends in the foreseeable future.

For information regarding securities authorized under our equity compensation plan, see Item 11

SALES OF UNREGISTERED SECURITIES

During 2005, we issued 362,345 shares of common stock valued at \$801,708 for the following reasons:

- o pursuant to a technology agreement to provide Milestone with patent rights, Milestone issued 43,424 shares valued at \$70,000;
- o for various consulting services, 139,362 shares valued at \$372,000 (of which \$238,166 was expensed in 2005) were issued to 7 consultants;

- o as part of annual compensation and severance, 23,461 shares valued at \$53,333 (of which \$45,001 was expensed in 2005) were issued to two employees and a former employee;

- o in satisfaction of payables owed in connection with warehousing and fulfillment services and exhibition facilities, 156,098 shares valued at \$306,375 were issued to 2 vendors.

In addition, on November 1, 2005, we converted 25,365 shares of 8% convertible preferred stock and accumulated dividends to 7,074 shares of common stock based on a conversion factor of 1:0.1731.

In 2005, Milestone issued 272,000 options to its board of directors and employees as bonus and compensation. These options are vested immediately, with a 5-year expiration date, and a weighted average exercise price of \$1.89.

In 2005, Milestone issued 16,666 options valued at \$28,166 to the Company's outside Director of Clinical Affairs in consideration of newly granted patent rights. This value was capitalized as patents and is being amortized over the life of the patents.

Milestone also issued options to various consultants and its outside general counsel for which we recorded expense of \$110,557 in 2005.

During 2004, we issued common stock in payment of amounts due for goods and services, satisfaction of notes payable and as compensation to two employees and a key distributor for services during 2004:

In June 2004, we issued 1,106 shares of common stock having a fair value of \$2,500 in partial payment of services to be provided under 1 year public relations consulting agreement which amount was charged to expense in 2004.

In August 2004, we issued 36,331 shares of common stock having a fair value of \$70,411 in payment of trade accounts payable related to the purchase of fixed assets valued at \$70,411.

In November 2004, Milestone satisfied the \$50,000 promissory note and accrued interest at 6% of \$4,475 by issuing 58,200 shares of common stock.

In December 2004, we issued 6,060 shares having a fair value of \$10,000 to two employees and 9,091 shares to a distributor having a fair value of \$15,000.

In April 2004, we issued to Marina Co., a nominee of partners of Morse, Zelnick, Rose & Lander LLP, our legal counsel, options expiring April 16, 2009 for the purchase of 160,000 shares of our common stock, at an exercise price of \$3.26 per share, and warrants, expiring April 16, 2009, to purchase 80,000 shares of our common stock at \$4.89 per share, as partial consideration for services rendered in connection with our February 2004 public offering.

In May of 2004, we issued 1,133 options for consulting services valued at \$1,548.

On May 10, 2004, our Board of Directors granted options, expiring May 10, 2009, to purchase 40,000 shares of our common stock at an exercise price of \$2.25 per share, to our investor relations consultant as consideration for the provision of consulting services. On the same date, the Board of Directors also granted options, expiring May 10, 2009, for the purchase of an aggregate number of 59,668 shares of common stock at an exercise price of \$4.92 per share, to certain vendors in payment of services.

In June 2003, we issued a 6% convertible note in the amount of \$50,000 and warrants to purchase 53,419 shares of our common stock at \$1.56 per share.

In September 2003, we issued a 6% convertible note in the amount of \$50,000 and warrants to purchase 5,000 shares of our common stock at \$6.00 per share.

In October 2003, we issued 1,646,419 shares of common stock in satisfaction of 6% / 12% Secured and Senior Secured Notes in the aggregate amount of approximately \$5 million. We also committed to issue 25,365 shares of 8% convertible preferred stock in satisfaction of \$25,365 of principal and accrued interest. The preferred stock will be convertible into 4,390 shares of common stock at \$5.79. Subsequently, we issued 94,327 additional shares of common stock to these former noteholders as consideration for their previous consent to extend the maturity date of these notes.

On October 9, 2003, we entered into a binding agreement with our Chief Executive Officer and a major investor under which we have sold and issued to them 246,044 units, each consisting of two shares of common stock and one warrant to purchase one share of common stock in payment of \$1,604,204 of debt and interest due to our Chief Executive Officer and a major investor, and approximately 58,896 units in payment of \$384,000 of accrued compensation due to our Chief Executive Officer. The Units were issued on the date of our offering. Both investors are accredited investors.

On October 31, 2003, we issued 102,195 shares of our common stock to principal vendors, in satisfaction of trade payables in the aggregate amount of approximately \$503,000.

The foregoing securities were issued in reliance upon the exemption from the registration requirements of the Act, as amended, provided in Section 4(2) thereof, as a transaction by an issuer not involving a Public Offering. The registrant reasonably believed that each purchaser had such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the investment, each purchaser represented an intention to acquire the securities for investment only and not with a view to distribution thereof and appropriate legends were affixed to the stock certificates or warrants. No commissions were paid in connection with such issuances.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

The following discussions of our financial condition and results of operations should be read in conjunction with the financial statements and the notes to those statements included elsewhere in this annual report. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements, within the meaning of section 21E of the Exchange Act, that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements. See "Risk Factors" on page 13 of this Form 10-KSB.

OVERVIEW

In 2005, we continued to execute a multi-point strategy designed to:

- o penetrate the dental and medical markets with our existing computer controlled injection technology;
- o utilize our LED technology platform to enter both the consumer and professional tooth whitening market; and,
- o continue development of our pressure force technology for both dental and medical applications.

Based on the results to date, we believe that we have made substantial progress toward achieving the above objectives. We have recruited and developed a highly trained domestic inside sales organization to service the U.S.. In developing this core inside sales competency, we have been able to begin bundling our two product portfolios to both users and new customers. While this has resulted in an increase in our spending and incurred losses, all of which were planned in line with our projections, we believe that the return on this investment has been and will continue to be increased revenues.

In March 2005, the Ionic White Tooth Whitening system was launched in the U.S. through a 30 minute infomercial. The infomercial was played throughout the U.S. starting in April on a variety of cable and local channels. The Ionic White product line includes a Starter Kit that contains the gels, the rinse and the intra-oral light. Refill Kits with a new supply of gels and specially formulated rinse were also made available. The product was launched in Canada in July and in other countries throughout the year. As a result of the introduction of competitive products and subsequent litigation, our sales through the television infomercial were curtailed; however, the Ionic White was launched into retail outlets such as Walgreen's, Linens and Things and Target Stores in the fourth quarter.

Towards the end of 2005, Milestone Scientific announced the market launch of its CoolBlue Professional Tooth Whitening System, which targets the \$1 billion global professional teeth whitening market. As with other Milestone products, the CoolBlue system is designed to maximize long-term revenues from disposable per-patient kits that are utilized in the whitening treatment process.

The CoolBlue Tooth Whitening System utilizes the same basic technology found in the Ionic White system. The basic technology uses the light generated from the CoolBlue Wand as a means to generate energy and thus small levels of heat, which will accelerate the chemical reaction necessary to remove chromagenic staining for teeth. The CoolBlue System is unique in that it eliminates the need for high levels of heat to accelerate the breakdown thereby reducing the chair-time necessary to achieve satisfactory results. In addition, the CoolBlue Whitening system includes a revolutionary home maintenance kit which uses a simple, easy and fast application of a whitening solution using sprays. This Once-A-Week(TM) home maintenance kit also eliminates the need for the dentist to mold custom trays typically required for home maintenance.

We have also developed new advanced sophisticated technology, for which we have been granted patent protection that can be used for a number of medical and dental purposes. In medical, this advanced technology was the subject of multiple clinical studies which proved the efficacy of identifying the epidural space for spinal anesthesia. A prototype of the epidural injection device has been successfully reviewed in four clinical studies at a major university affiliated hospital. In the dental market, the technology is the foundation of the next generation product, which will allow dentists to administer a single tooth anesthetic injection, known as a Periodontal Ligament Injection (PDL), as a primary injection.

Our focus on sales and marketing are reflected in the strong revenue growth in 2005. Revenues have increased both domestically and internationally, from increases in all product lines including CompuDent units, an increasing base of handpiece sales and the sales from CoolBlue products. Global equipment sales, including CompuDent and Wand Plus units increased by 68%. Handpiece sales increased 15% domestically and 28% internationally.

The following table shows a breakdown of our product sales (net), domestically and internationally, by product category, and the percentage of product sales (net) by each product category:

| | Year Ended December 31, | | | |
|---------------------------------|-------------------------|--------|--------------|--------|
| | 2005 | | 2004 | |
| DOMESTIC | | | | |
| CompuDent | \$ 1,363,705 | 31.5% | \$ 813,610 | 24.1% |
| Handpieces | 2,762,944 | 64.0% | 2,334,297 | 69.1% |
| Other | 196,409 | 4.5% | 230,627 | 6.8% |
| Total Domestic | \$ 4,323,058 | 100.0% | \$ 3,378,534 | 100.0% |
| INTERNATIONAL | | | | |
| CompuDent | \$ 506,136 | 34.8% | \$ 682,708 | 49.7% |
| Handpieces | 854,718 | 58.9% | 682,968 | 49.8% |
| Other | 91,482 | 6.3% | 6,976 | 0.5% |
| Total International | \$ 1,452,336 | 100.0% | \$ 1,372,652 | 100.0% |
| DOMESTIC/INTERNATIONAL ANALYSIS | | | | |
| Domestic | \$ 4,323,058 | 74.9% | \$ 3,378,534 | 71.1% |
| International | 1,452,336 | 25.1% | 1,372,652 | 28.9% |
| Total Product Sales | \$ 5,775,394 | 100.0% | \$ 4,751,186 | 100.0% |

We have earned gross profits of 60% and 49% in the years ended December 31, 2005 and 2004, respectively. However, our revenues have not been sufficient to support our overhead and research and development expenses. We have therefore reported substantial losses for each of those periods. We have taken steps to cut our overhead and increase sales.

The February 2004 public offering and the private placements in March and June 2005 enabled us to continue execution of our strategic plan including the creation of a domestic sales organization, expansion of marketing and advertising programs and investment in new product development. During 2005, our operating results reflected increased spending in those areas, consistent with the plan, including:

- o continued recruitment and training of a domestic sales organization;
- o increased spending on marketing and advertising, including the development of a consumer radio campaign targeting the Indianapolis metropolitan area;
- o continued investment into research and development of our tooth whitening products, CompuFlo technology and Single Tooth Anesthetic Product;

- o increased spending in patent development to support the technology as well as an increase in litigation expense as a result of a law suit filed by a competitor in the consumer tooth whitening market; and, (2)

- o increased legal fees related to the submission of a 510(k) Pre-market assessment to the FDA for our CompuFlo technology

During 2005, we continued to take steps in order to reduce expenses. Selling, general, and administrative expenses increased, in general, because of the development of the domestic sales infrastructure. However, legal expenses and consulting expenses, in particular, decreased slightly toward the end of the year. We will continue to invest in the R&D associated with our new technologies.

Since our public offering in February 2004, we have invested heavily in the development of a national sales organization implementing the new marketing and sales plan successfully tested in 2003. As a result of the experiences during the latter part of 2004 and 2005, we have reduced the total numbers of territories from 41 to 20, which allows effective penetration of the U.S. dental market. At the end of 2005, the domestic sales force consisted of a national sales manager, 13 inside sales representatives communicating with customers primarily by telephone, e-mail and fax, 3 sales support representatives working in conjunction with our outside sales representatives and 6 outside independent sales representatives.

We plan to further support our increased sales and marketing activity through trade show appearances, increased advertising to dental professionals and, consumer advertising. Since our public offering we have provided further support for our expanded activities through added investment in the following areas:

Tooth Whitening and Curing

- o transferring of the manufacturing of the CoolBlue Light System to Tricor Systems, Inc., our manufacturer of the CompuDent systems.

CompuFlo

- o developing new software for the epidural clinical studies;
- o additional engineering effort to make the software suitable for clinical studies;
- o researching related activities to support the software development and clinical trials;
- o paying legal fees related to the submission of the 510(k) to the FDA.

Single Tooth Anesthetic System

- o developing the next generation product for the dental market - a new unit which incorporates the pressure sensing technology from the CompuFlo and marries it to the core technology underlying the CompuDent system.

Direct to Consumer Marketing

- o developing and implementing a targeted radio campaign to increase awareness of our computer controlled anesthetic delivery systems in the dental market; and,
- o launching this campaign into the Indianapolis market in August through December of 2005.

CURRENT CONDITION OF MILESTONE

With the progress achieved in 2005, we believe that we are now positioned to seize the market opportunities that we believe are available to us through our patent protected products. We believe that our ownership of the SafetyWand technology in light of OSHA regulations, issued pursuant to recent federal and state government legislation mandating needle stick safety standards, positions us to become a leading provider for dentists and other health care professionals in the administration of local anesthesia. We have used the financial resources gained in the Public Offering to build the infrastructure necessary to market our products throughout the United States. Our goal in 2006 is to carry out the plan that we initiated in 2005 and to grow our revenue base of CompuDent users, thereby increasing our recurring revenue stream from the sales of our consumable hand piece products.

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on April 13, 2006.

| SIGNATURE | DATE | TITLE |
|---|----------------|--|
| /s/ Leonard Osser ----- Leonard Osser | April 13, 2006 | Chairman, and Chief Executive Officer |
| /s/ Rosaline Shau ----- Rosaline Shau | April 13, 2006 | Vice President and Chief Financial Officer |
| /s/ Leonard Schiller ----- Leonard Schiller | April 13, 2006 | Director |
| /s/ Jeffrey Fuller ----- Jeffrey Fuller | April 13, 2006 | Director |
| /s/ Leslie Bernhard ----- Leslie Bernhard | April 13, 2006 | Director |

INDEX TO FINANCIAL STATEMENTS

| | Page |
|---|------|
| | ---- |
| Report of Independent Registered Public Accounting Firm..... | F-2 |
| Balance Sheet as of December 31, 2005..... | F-3 |
| Statements of Operations for the years ended December 31, 2005 and 2004..... | F-4 |
| Statements of Changes in Stockholders' Equity (Deficiency) for the years ended December 31, 2005 and 2004..... | F-5 |
| Statements of Cash Flows for the years ended December 31, 2005 and 2004..... | F-6 |
| Notes to Financial Statements..... | F-8 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders

Milestone Scientific Inc.

We have audited the accompanying balance sheet of Milestone Scientific Inc. as of December 31, 2005, and the related statements of operations, changes in stockholders' equity (deficiency) and cash flows for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Milestone Scientific Inc. as of December 31, 2005, and its results of operations and cash flows for the years ended December 31, 2005 and 2004, in conformity with United States generally accepted accounting principles.

/s/Eisner LLP

*New York, NY
March 23, 2006*

MILESTONE SCIENTIFIC INC.

BALANCE SHEET

December 31, 2005

ASSETS

| | |
|---|--------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 2,892,679 |
| Accounts receivable, net of allowance for doubtful accounts of \$27,117 | 347,065 |
| Royalty receivable | 185,702 |
| Inventories | 1,371,354 |
| Advances to contract manufacturer | 1,019,663 |
| Prepaid expenses | 109,691 |
| | ----- |
| Total current assets | 5,926,154 |
| Investment in distributor, at cost | 76,319 |
| Equipment, net | 536,295 |
| Patents, net of accumulated amortization of \$19,090. | 486,635 |
| Other assets | 24,197 |
| | ----- |
| Total assets | \$ 7,049,600 |
| | ===== |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|--------------|
| Current Liabilities: | |
| Accounts payable | \$ 508,044 |
| Accrued expenses | 223,350 |
| | ----- |
| Total current liabilities | 731,394 |
| | ----- |
| Commitments (Note O) | |
| Stockholders' Equity: | |
| Preferred stock, par value \$.001; authorized 5,000,000 shares | |
| 8% cumulative convertible preferred stock, par value \$.001; none issued | - |
| Common stock, par value \$.001; authorized 50,000,000 shares; 11,550,479 shares issued, 207,726 shares to be issued, and 11,517,146 shares outstanding | 11,758 |
| Additional paid-in capital | 57,172,915 |
| Accumulated deficit | (49,954,951) |
| Treasury stock, at cost, 33,333 shares | (911,516) |
| | ----- |
| Total stockholders' equity | 6,318,206 |
| | ----- |
| Total liabilities and stockholders' equity | \$ 7,049,600 |
| | ===== |

See Notes to Financial Statements

MILESTONE SCIENTIFIC INC.
STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | 2004 (consolidated) |
|---|----------------|------------------------|
| Products sales, net | \$ 5,775,394 | \$ 4,751,186 |
| Royalty income | 657,754 | - |
| Total revenue | 6,433,148 | 4,751,186 |
| Cost of products sold | 2,521,022 | 2,415,826 |
| Royalty expense | 78,930 | - |
| Total cost of revenue | 2,599,952 | 2,415,826 |
| Gross profit | 3,833,196 | 2,335,360 |
| Selling, general and administrative expenses | 6,794,032 | 5,155,569 |
| Research and development expenses | 286,260 | 187,992 |
| Total operating expenses | 7,080,292 | 5,343,561 |
| Loss from operations | (3,247,096) | (3,008,201) |
| Other income (expense) | | |
| Interest income | 92,869 | 80,867 |
| Interest expense | - | (69,530) |
| Other income | 400,000 | - |
| Other income (expense), net | 492,869 | 11,337 |
| Net Loss | (2,754,227) | (2,996,864) |
| Dividends applicable to preferred stock | (1,691) | (2,029) |
| Net loss applicable to common stockholders | \$ (2,755,918) | \$ (2,998,893) |
| Loss per share applicable to common stockholders - basic and diluted | \$ (0.25) | (0.33) |
| Weighted average shares outstanding - basic and diluted | 11,007,755 | 9,147,634 |

See Notes to Financial Statements

MILESTONE SCIENTIFIC INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | Preferred Stock | | Common Stock | |
|--|-----------------|--------|--------------|-----------|
| | Shares | Amount | Shares | Amount |
| Balance, January 1, 2004 | 25,365 | \$ 25 | 6,146,011 | \$ 6,146 |
| Proceeds from equity financing, net | | | 2,880,000 | 2,880 |
| Common stock and warrants issued for payment of: | | | | |
| Outstanding debt and related interest | | | 492,087 | 492 |
| Accounts payable | | | 77,610 | 77 |
| Deferred compensation | | | 117,791 | 118 |
| Common stock issued for payment of outstanding debt and related interest | | | 58,200 | 58 |
| Common stock issued for equipment purchase | | | 36,331 | 37 |
| Common stock issued for payment of services rendered | | | 10,197 | 10 |
| Common stock issued for payment of bonus and commissions | | | 6,060 | 6 |
| Issuance of options for consulting services | | | | |
| Net loss | | | | |
| Balance, December 31, 2004 | 25,365 | 25 | 9,824,287 | 9,824 |
| Common stock and options issued for payments of patent rights acquired | | | 43,424 | 44 |
| Common stock issued for payment of vendor services | | | 156,098 | 156 |
| Common stock and options issued for payment of consulting services | | | 139,362 | 140 |
| Common stock issued for payment of employee compensation | | | 23,461 | 23 |
| Common stock issued for exercised options | | | 333 | 0 |
| Common shares to be issued in settlement of deferred compensation | | | 207,726 | 208 |
| Proceeds from equity financings, net | | | 1,356,440 | 1,356 |
| Conversion of preferred stock | (25,365) | (25) | 4,391 | 4 |
| Stock dividends applied to preferred stock | | | 2,683 | 3 |
| Net loss | | | | |
| Balance, December 31, 2005 | - | \$ - | 11,758,205 | \$ 11,758 |

| | Additional Paid-in Capital | Accumulated Deficit | Treasury Stock | Total |
|--|----------------------------|---------------------|----------------|----------------|
| Balance, January 1, 2004 | \$ 42,660,349 | \$ (44,199,675) | \$ (911,516) | \$ (2,444,671) |
| Proceeds from equity financing, net | 7,617,224 | | | 7,620,104 |
| Common stock and warrants issued for payment of: | | | | |
| Outstanding debt and related interest | 1,603,712 | | | 1,604,204 |
| Accounts payable | 199,923 | | | 200,000 |
| Deferred compensation | 383,882 | | | 384,000 |
| Common stock issued for payment of outstanding debt and related interest | 54,417 | | | 54,475 |
| Common stock issued for equipment purchase | 70,374 | | | 70,411 |
| Common stock issued for payment of services rendered | 17,490 | | | 17,500 |
| Common stock issued for payment of bonus and commissions | 9,994 | | | 10,000 |
| Issuance of options for consulting services | 1,548 | | | 1,548 |
| Net loss | | (2,996,864) | | (2,996,864) |
| Balance, December 31, 2004 | 52,618,913 | (47,196,539) | (911,516) | 4,520,707 |
| Common stock and options issued for payments of patent rights acquired | 98,122 | | | 98,166 |
| Common stock issued for payment of vendor services | 306,219 | | | 306,375 |
| Common stock and options issued for payment of consulting services | 348,583 | | | 348,723 |
| Common stock issued for payment of employee compensation | 44,977 | | | 45,000 |
| Common stock issued for exercised options | 749 | | | 749 |
| Common shares to be issued in settlement of deferred compensation | 299,792 | | | 300,000 |
| Proceeds from equity financings, net | 3,451,357 | | | 3,452,713 |
| Conversion of preferred stock | 21 | | | - |
| Stock dividends applied to preferred stock | 4,182 | (4,185) | | - |
| Net loss | | (2,754,227) | | (2,754,227) |
| Balance, December 31, 2005 | \$ 57,172,915 | \$ (49,954,951) | \$ (911,516) | \$ 6,318,206 |

MILESTONE SCIENTIFIC INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | 2005 | 2004 |
|---|----------------|----------------|
| | | (consolidated) |
| Cash flows from operating activities: | | |
| Net loss | \$ (2,754,227) | \$ (2,996,864) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 99,060 | 50,920 |
| Amortization of debt discount and deferred financing costs | - | 51,003 |
| Amortization of patents | 19,090 | - |
| Common stock and options issued for compensation and consulting services | 700,098 | 29,048 |
| Stock issued for interest on notes payable | - | 2,700 |
| Bad debt expense | 33,111 | 1,593 |
| Deferred compensation | 150,000 | (106,000) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in accounts receivable | 41,163 | (34,032) |
| (Increase) in royalty receivable | (185,702) | - |
| (Increase) in inventories | (435,133) | (509,510) |
| (Increase) decrease in advances to contract manufacturer | (957,629) | 166,463 |
| (Increase) decrease in prepaid expenses | (5,129) | 12,622 |
| (Increase) decrease in other assets | (3,789) | 6,933 |
| Increase (decrease) in accounts payable | 33,969 | (1,015,516) |
| (Decrease) in accrued interest | - | (83,532) |
| (Decrease) increase in accrued expenses | (1,199) | 139,303 |
| | (3,266,317) | (4,284,869) |
| | ----- | ----- |
| Cash flows from investing activities: | | |
| Payment for capital expenditures | (23,092) | (350,529) |
| Payment for patent rights | (306,317) | (75,536) |
| Payment for investment in distributor | (6,363) | (69,956) |
| | (335,772) | (496,021) |
| | ----- | ----- |
| Cash flows from financing activities: | | |
| Proceeds from equity financings, net | 3,452,713 | 7,868,919 |
| Proceeds from exercise of options | 749 | - |
| Payment of note payable - officer/stockholder | - | (50,000) |
| | 3,453,462 | 7,818,919 |
| | ----- | ----- |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (148,627) | 3,038,029 |
| Cash and cash equivalents, beginning of year | 3,041,306 | 3,277 |
| | \$ 2,892,679 | \$ 3,041,306 |
| | ===== | ===== |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for interest | \$ - | \$ 99,359 |
| | ===== | ===== |

See Notes to Financial Statements

MILESTONE SCIENTIFIC INC
STATEMENTS OF CASH FLOWS (CONTINUED)

Supplemental schedule of noncash investing and financing activities:

In the first quarter of 2005, Milestone issued 43,424 shares valued at \$70,000 to the Company's outside director of clinical affairs, pursuant to a technology agreement to provide Milestone with patent rights. In the second and fourth quarters of 2005, Milestone issued 16,666 options valued at \$28,166 to the Company's outside director of clinical affairs in consideration of newly granted patent rights.

In February 2004 Milestone issued 335,614 units in consideration for notes payable and accrued interest due to an officer and a shareholder of \$1,604,204, accounts payable due to outside legal counsel of \$200,000 and deferred compensation to an officer of \$384,000. Each unit consisted of 2 shares of Milestone's common stock (671,228 shares of common stock) and a warrant.

As part of its payment for services in connection with the February 2004 public offering, Milestone issued to its outside general counsel 5-year options to purchase 160,000 common shares at an exercise price of \$3.26 per share and warrants to purchase 80,000 common shares of stock at an exercise price of \$4.89 per share.

In September 2004, Milestone issued 36,331 shares of common stock valued at \$70,411 for the purchase of equipment.

In October 2004 in satisfaction of a \$50,000 promissory note and accrued interest of \$4,475, Milestone issued 58,200 shares of common stock.

In November 2004 we incurred a liability of \$25,706 in connection with the acquisition of the minority interest in Spintech, a subsidiary of the Company.

See notes to financial statements

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS
NOTE A -- ORGANIZATION AND BUSINESS

Milestone Scientific Inc. ("Milestone") was incorporated in the State of Delaware in August 1989. Milestone has developed a proprietary, computer-controlled anesthetic delivery system, through the use of The Wand, a single use disposable handpiece. The system is marketed in dentistry under the trademark CompuDent and Wand Plus and in medicine under the trademark CompuMed. CompuDent is suitable for all dental procedures that require local anesthetic. CompuMed and Wand Plus are suitable for many medical procedures regularly performed in Plastic Surgery, Hair Restoration Surgery, Podiatry, Colorectal Surgery, Dermatology, Orthopedics and a number of other disciplines. The systems are sold in the United States and in over 25 countries abroad. Milestone's products are manufactured by a third-party contract manufacturer.

Milestone effected a 1-for-3 reverse stock split in its common stock, effective January 14, 2004, pursuant to previously obtained stockholder approval authorizing the board of directors to effect a reverse stock split in a ratio of up to 1-for-10. All share and per share information in these financial statements has been restated retroactively to reflect the 1 for 3 reverse split.

NOTE B -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements include the accounts of Milestone, and for 2004 also includes its subsidiary, Spintech, and two inactive subsidiaries prior to the date of merger on December 10, 2004. On December 7, 2004 Milestone purchased the 35% minority interest in Spintech, and on December 10, 2004 the three subsidiaries were merged into the Company. All significant intercompany balances and transactions have been eliminated in consolidation. The cost of the minority interest in Spintech of \$101,242 has been allocated to patents which are being amortized over their remaining useful lives.

2. Cash and Cash Equivalents

Milestone considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

3. Royalty Receivable

Royalty receivable represents the royalty due from United Systems, Inc, the licensee of Milestone's proprietary consumer dental whitening product, which is sold under Milestone's distributor's trademark of Ionic White(TM). The royalties are received on a quarterly basis.

4. Inventories

Inventories principally consist of finished goods and component parts stated at the lower of cost (first-in, first-out method) or market.

5. Equipment

Equipment is recorded at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets, which range from 5 to 7 years. The costs of maintenance and repairs are charged to operations as incurred.

6. Investments

Investments in less than 20% owned entities are accounted for under the cost basis and are reviewed for impairment periodically.

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS

7. Patents

Patents are recorded at cost and are being amortized by the straight-line method over their estimated remaining useful lives. Legal fees related to new patent applications are capitalized as patent cost. Litigation costs incurred to protect and enforce the company's patents are charged to expense as incurred.

8. Impairment of Long-Lived Assets

Milestone reviews patents and equipment for impairment whenever events or circumstances indicate that the carrying amounts may not be recoverable.

9. Revenue Recognition

Revenue from product sales is recognized net of discounts and allowances when title passes at the time of shipment, collectibility is reasonably assured and the Company has no further performance obligations.

Royalty income is recognized as earned based on reports received from the licensee and related royalty expense is accrued during the same period.

10. Research and Development

Research and development costs, which consist principally of new product development costs incurred to third parties, are expensed as incurred.

11. Advertising Expenses

Milestone expenses advertising costs as they are incurred. For the years ended December 31, 2005 and 2004, Milestone recorded advertising expenses of \$329,930 and \$107,000, respectively.

12. Income Taxes

Milestone accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision or credit is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

13. Basic and diluted net loss per common share

Milestone presents "basic" earnings (loss) per common share applicable to common stockholders and, if applicable, "diluted" earnings (loss) per common share applicable to common stockholders pursuant to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Basic earnings (loss) per common share is calculated by dividing net income or loss applicable to common stockholders by the weighted average number of common shares outstanding and to be issued during each period. The calculation of diluted earnings per common share is similar to that of basic earnings per common share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares, such as those issuable upon the exercise of stock options, warrants, and the conversion of preferred stock were issued during the period.

Since Milestone had net losses for 2005 and 2004, the assumed effects of the exercise of outstanding stock options and warrants and the conversion of preferred stock into common stock were not included in the calculation as their effect would have been anti-dilutive. Such outstanding options and warrants totaled 3,687,085 at December 31, 2005 and 3,229,407 at December 31, 2004.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

Net loss applicable to common stockholders is computed after providing for cumulative dividends at a rate of 8% per year applicable to preferred stock prior to conversion into common stock in November 2005.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to the allowance for doubtful accounts, inventory valuation, cash flow assumptions regarding evaluations for impairment of long-lived assets and valuation allowances on deferred tax assets. Actual results could differ from those estimates.

15. Fair Value of Financial Instruments

The carrying amounts reported in the consolidated balance sheet for cash, accounts receivable, advances to contract manufacturer, accounts payable and accrued expenses approximate fair value based on the short-term maturity of these instruments.

16 Accounting for Stock-Based Compensation

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), provides for the use of a fair value based method of accounting for employee stock compensation. However, SFAS 123 also allows an entity to continue to measure compensation cost for stock options granted to employees using the intrinsic value method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), which only requires charges to compensation expenses for the excess, if any, of the fair value of the underlying stock at the date a stock option is granted (or at the appropriate subsequent measurement date) over the amount the employee must pay to acquire the stock. Milestone has elected to continue to account for employee stock options using the intrinsic value method under APB 25. By making that election, it is required by SFAS 123 and SFAS 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS 148"), to provide pro forma disclosures of net loss and loss per common share as if a fair value based method of accounting had been applied.

If Milestone had elected to recognize compensation expense based upon the fair value at the grant date, consistent with the methodology prescribed by SFAS No. 123, pro forma net loss applicable to common stockholders and net loss per share applicable to common stockholders for the years ended December 31, 2005 and 2004 would have increased to the following pro forma amounts:

| | December 31, | |
|--|----------------|----------------|
| | 2005 | 2004 |
| Net loss applicable to common stockholders | \$ (2,755,918) | \$ (2,998,893) |
| Deduct total stock-based employee compensation expenses determined under the fair value based method for all awards* | 469,362 | 27,660 |
| Net loss applicable to common stockholders, pro forma | \$ (3,225,280) | \$ (3,026,553) |
| Loss per share applicable to common stockholders: | | |
| Basic and diluted | | |
| As reported | (\$0.25) | (\$0.33) |
| Pro forma | (\$0.29) | (\$0.33) |

* Excludes common stock issued as compensation.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

The weighted-average fair value of the individual options granted during 2005 and 2004 was estimated as \$1.52 and \$1.32, respectively, on the date of grant. The fair value for 2005 and 2004 was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | DECEMBER 31, | |
|-------------------------|--------------|---------|
| | 2005 | 2004 |
| Volatility | 127% | 109% |
| Risk-free interest rate | 4.0% | 3.7% |
| Expected life | 5 years | 5 years |
| Dividend yield | 0% | 0% |

In accordance with the provisions of SFAS 123, all other issuances of common stock, stock options or other equity instruments to non-employees as consideration for goods or services received by Milestone are accounted for based on the fair value of the equity instruments issued (unless the fair value of the consideration received can be more reliably measured). The fair value of any options or similar equity instruments issued are estimated based on the Black-Scholes option-pricing model, which meets the criteria set forth in SFAS 123, and the assumption that all of the options or other equity instruments will ultimately vest. Such fair value is measured as of an appropriate date pursuant to the guidance in the consensus of the Emerging Issues Task Force ("EITF") for EITF Issue No. 96-18 (generally, the earlier of the date the other party becomes committed to provide goods or services or the date performance by the other party is complete) and capitalized or expensed as if Milestone had paid cash for the goods or services.

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, "Share-Based Payment", which requires all share-based payments to employees, including grants of employee stock options ("SFAS 123R"), to be recognized in the income statements as an operating expense, based on their fair values. Pro-forma disclosure is no longer an alternative. The cost will be recognized as compensation expense over the service period, which would normally be the vesting period of the options. SFAS No. 123R will be effective for the Company beginning January 1, 2006. As a result of adopting SFAS 123R, the Company will recognize as compensation expense in its financial statements the unvested portion of existing options granted prior to the effective date and the cost of stock options granted to employees after the effective date based on the fair value of the stock options at grant date. Accordingly, the adoption of SFAS 123R's fair value method could have a significant impact on the Company's results of operations, although it will have no impact on the company's overall financial position. The impact of adoption of SFAS 123R cannot be predicted at this time because it will depend on levels of share-based payments granted in the future.

17. Concentration of Credit Risk

Milestone's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and trade accounts receivable. Milestone places its cash with high quality credit institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Milestone has not experienced any losses in such accounts and believes it is not exposed to any significant credit risks. Financial instruments which potentially subject Milestone to credit risk consist principally of trade accounts receivable, as Milestone does not require collateral or other security to support customer receivables.

Milestone closely monitors the extension of credit to its customers while maintaining allowances, if necessary, for potential credit losses. On a periodic basis, Milestone evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. Management does not believe that significant credit risk exists with respect to accounts receivable at December 31, 2005.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

Milestone entered into a purchase agreement with a vendor to supply Milestone with 5,000 units of CompuDent. As part of this agreement, Milestone has advanced \$1 million to the vendor for purchase of materials. The advance will be credited to Milestone when the goods are delivered. Milestone understands that there is a potential risk for loss in this arrangement. However, based on the long-term business relationship with this vendor and the strong financial standing of this vendor, Milestone does not believe that significant credit risk exists with respect to this advance to the contract manufacturer at December 31, 2005.

NOTE C -- INVENTORIES

Inventories consist of the following:

| | |
|-------------------------------------|--------------|
| Finished goods | \$ 1,190,127 |
| Component parts and other materials | \$ 181,227 |
| | ----- |
| | \$ 1,371,354 |
| | ===== |

NOTE D -- ADVANCES TO CONTRACT MANUFACTURER

Advances to contract manufacturer represent deposits to our contract manufacturer to fund future inventory purchases. The balance of advances as of December 31, 2005 totaled \$1,019,663.

NOTE E --EQUIPMENT

Equipment consists of the following:

| | |
|--|------------|
| Leasehold improvements | \$ 6,913 |
| Artwork | 85,550 |
| Office furniture and equipment | 101,617 |
| Trade show displays | 51,575 |
| Computers and software | 224,990 |
| Tooling equipment | 372,650 |
| | ----- |
| Total | 843,295 |
| Less accumulated depreciation & amortization | (307,000) |
| | ----- |
| | \$ 536,295 |
| | ===== |

Depreciation expense was \$99,060 and \$50,920 for the years ended December 31, 2005 and 2004, respectively.

NOTE F - PATENTS

Patents are being amortized by the straight-line method over estimated useful lives ranging from 10 to 20 years, with a weighted average amortization period of 16 years. Amortization expense amounted to \$19,090 in 2005 and \$0 in 2004. Estimated amortization expense of existing patents for each of the next five fiscal years follows:

| | |
|------|----------|
| 2006 | \$22,848 |
| 2007 | \$22,848 |
| 2008 | \$22,848 |
| 2009 | \$22,848 |
| 2010 | \$22,848 |

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS
NOTE G -- INVESTMENT IN DISTRIBUTOR

In December 2004 the Company purchased a 19.9% equity interest in a German distribution company which is an affiliate of the Company's principal international distributor.

NOTE H -- NOTES PAYABLE TO OFFICER/STOCKHOLDER

Notes payable to officer/stockholder of \$358,215 and accrued interest thereon of \$77,770 representing obligations payable to our CEO, were satisfied through the issuance of 62,098 units at \$6.52 per unit and cash payment of \$31,107 in February 2004. Interest expense on these notes amounted to \$3,360 for the year ended December 31, 2004.

NOTE I -- NOTES PAYABLE

In February 2004 Milestone issued 183,946 units at \$6.52 per unit and paid cash of \$66,219 to satisfy \$1,100,000 8% promissory notes payable and line of credit borrowings and accrued interest thereon of \$165,545. A \$50,000 promissory note and accrued interest thereon of \$2,033 was paid in May 2004. In November 2004 Milestone issued 58,200 shares of common stock to satisfy a \$50,000 promissory note and accrued interest thereon of \$4,475.

NOTE J - STOCKHOLDER'S EQUITY

PUBLIC OFFERING

On February 17, 2004, Milestone completed a \$9.4 million Public Offering (\$7.6 million after underwriter discount, underwriter non accountable expense allowance and other expenses). The Public Offering consisted of the sale of 1,440,000 units at a price of \$6.52 per unit. Each unit consisted of two shares of common stock and one warrant. The warrants included in the units are exercisable at any time after they became separately tradable until their expiration date, five years after the date of the closing of the Public Offering, at an exercise price equal to \$4.89 (150% of the closing market price of Milestone's common stock on the pricing date of the Offering). Some or all of the warrants may be redeemed by Milestone at a price of \$0.01 per warrant, by giving not less than 30 days notice to the holders of the warrants, which the Company may do at any time, beginning 6 months from the effective date of the offering after the closing price for the Company's common stock on the principal exchange on which it trades (i.e. AMEX) has equaled or exceeded 200% of the price of the Company's common stock on the effective date of the offering. The common stock included in the units and the warrants traded only as a unit for 30 days following the closing date of the Public Offering. As part of its payment for services in connection with the February 2004 public offering, Milestone issued to its outside general counsel 5-year options to purchase 160,000 common shares at an exercise price of \$3.26 per share and warrants to purchase 80,000 common shares of stock at an exercise price of \$4.89 per share.

Net proceeds of the Public Offering were used to pay down promissory notes, credit facilities, interest and deferred compensation. The Company is using the remainder of the proceeds primarily to expand and support sales and marketing efforts for CompuDent in the United States, , support the launch of the recently announced SafetyWand and CoolBlue Tooth Whitening product lines, including new marketing and advertising campaigns, expand international sales efforts and develop commercial models of products using other advanced injection technology, including the Single Tooth Anesthetic Delivery System (STA) and CompuFlo.

PRIVATE PLACEMENTS

On April, 4, 2005, Milestone completed a \$2,999,996 private placement of 101,044 Units to accredited investors. Each Unit consists of 10 shares of common stock and two warrants. Each warrant entitles the holder to purchase a share of common stock at \$4.89 per share through the close of business on February 16, 2009. I-Bankers Securities, Inc. acted as placement agent for Milestone in this transaction and received a fee of \$209,978 and 101,044 warrants identical in terms to those issued to the investors. Net proceeds from the private placement, after commissions and other offering expenses, were \$2,655,659.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

On June 30, 2005, Milestone completed an \$847,960 private placement of 34,000 Units to accredited investors. Each Unit consists of 10 shares of common stock and two warrants. Each warrant entitles the holder to purchase a share of common stock at \$4.89 per share through the close of business on February 16, 2009. Proceeds from this private placement were recorded net of a fee of \$50,878 and 600 identical units to the investment advisor. Dynamic Decisions acted as investment advisor to Milestone in this transaction and received a fee of \$50,878 and 600 Units, which are substantially the same form as those issued to the investors. Net proceeds from this private placement, after commissions and other offering expenses, were \$797,054.

OTHER ISSUANCES OF COMMON STOCK

In January 2005, Milestone issued 43,424 shares valued at \$70,000 to the Company's outside director of clinical affairs pursuant to a technology agreement to provide Milestone with patent rights.

In 2005, Milestone issued 139,362 shares valued at \$372,000 to seven consultants for current and future services, of which \$238,166 was recorded as expense in 2005. Milestone also issued options to various consultants and its outside general counsel for which it recorded expense of \$110,557 in 2005.

In 2005, Milestone issued 13,496 shares, of which 6,061 shares was bonus and 7,435 shares as part of annual compensation, valued at \$30,000 (of which \$21,668 was expensed in 2005) to two employees. We also issued 9,965 shares valued at \$23,333 to a former employee as part of a severance agreement.

In 2005, Milestone issued 156,098 shares to two vendors in satisfaction of \$306,375 payables owed in connection with warehousing and fulfillment services and exhibition facilities.

In June 2004, we issued 1,106 shares of common stock having a fair value of \$2,500 in partial payment of services to be provided under 1 year public relations consulting agreement which amount was charged to expense in 2004.

In August 2004, we issued 36,331 shares of common stock having a fair value of \$70,411 in payment of trade accounts payable related to the purchase of fixed assets valued at \$70,411

In November 2004, Milestone satisfied the \$50,000 promissory note and accrued interest at 6% of \$4,475 by issuing 58,200 shares of common stock.

In December 2004, we issued 6,060 shares having a fair value of \$10,000 to two employees and 9,091 shares to a distributor having a fair value of \$15,000.

PREFERRED STOCK

The 25,365 shares of 8% convertible preferred stock outstanding at December 31, 2004 were converted to 4,391 shares of common stock on November 1, 2005 based on a conversion factor of 1:0.1731.

On November 1, 2005, the Company issued 2,683 common shares in satisfaction of cumulative dividends totaling \$4,185 applicable to the 8% convertible preferred stock.

OUTSTANDING WARRANTS

At December 31, 2005 there were 2,659,787 warrants exercisable at prices ranging from \$3.75 to \$6.00 per share expiring at various dates between January 29, 2006 through April 17, 2009.

In March 2005, as part of the March 2005 private placement, Milestone issued 303,132 warrants exercisable at \$4.89 through 2009, of which 202,088 were issued to investors and 101,044 were issued to consultants.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

In June 2005, as part of the private placement, Milestone issued 69,200 warrants exercisable at \$4.89 through 2009, of which 68,000 were issued to investors and 1,200 to consultants.

In February 2004, Milestone issued 1,775,614 warrants, exercisable at \$4.89 through 2009 including 1,440,000 warrants issued as part of the public offering, 304,939 warrants issued to an officer and a shareholder in satisfaction of notes payable, accrued interest and deferred compensation and 30,675 warrants issued to outside general counsel in satisfaction of accounts payable.

In April 2004, Milestone issued 80,000 warrants exercisable at \$4.89 through 2009 to outside general counsel in consideration for services rendered in connection with the public offering.

SHARES RESERVED FOR FUTURE ISSUANCE

At December 31, 2005 there were 4,255,643 shares reserved for future issuance including 813,999 shares underlying stock options available under the Plans, 3,233,918 shares underlying other stock options and warrants that were outstanding at December 31, 2005 and 207,726 shares to be issued in settlement of deferred compensation.

AGREEMENTS TO ISSUE COMMON STOCK AND STOCK OPTIONS

On March 18, 2005, Milestone issued to Ionic White, Inc., its marketing partner for a consumer tooth whitening product, 3-year options to purchase 100,000 shares of Milestone common stock at \$4.89 per share. The options are not exercisable unless the marketing partner purchases at least 2,000,000 starter kits for the registrant's consumer tooth whitening system during the twelve month period beginning July 1, 2005. If 2,000,000 starter kits are purchased during that period, options to purchase 10,000 shares become exercisable. If 2,500,000 starter kits are purchased during that period, options to purchase an aggregate of 50,000 shares become exercisable. If 3,000,000 starter kits are purchased during that period, options to purchase all 100,000 shares become exercisable. Upon the options becoming exercisable, Milestone will recognize sales discounts based on the then fair value of the options.

Under a previous agreement, Ionic White, Inc., agreed to purchase at \$3.00 per share 500,000 shares of Milestone common stock in quarterly installments of 125,000 shares within 10 days after the end of each of the four fiscal quarters commencing July 1, 2005. Milestone is not required to sell these shares unless Ionic White has purchased at least 625,000 starter kits in the first quarter, at least 1,250,000 starter kits in the first two quarters and at least 1,875,000 starter kits in the first three quarters. Further, at Milestone's option, all shares previously purchased must be returned to Milestone and all monies paid to Milestone returned to Ionic White if it has not purchased an aggregate of at least 3,000,000 starter kits for the twelve-month period ending June 30, 2006.

On September 30, 2005, this agreement was amended to defer for an additional quarter the commencement date for Ionic White's commitment to purchase stock. On December 21, 2005, the commencement date for stock purchase was further deferred until January 1, 2006. At December 31, 2005, no shares have been purchased.

On August 12, 2005 Milestone engaged a special marketing and sales consultant to aid in the international sale and distribution of CoolBlue(TM) Wand dental enhancement system, particularly in its applications for professional tooth whitening. As part of the compensation for a two-year consulting service, Milestone issued 40,000 shares of common stock valued at \$100,000 to the consultant.

In addition, if as a result of the consultant's efforts, Milestone is able to establish distribution relationships, on terms and conditions satisfactory to Milestone, with one of the four top world-wide distributors of dental products, or other major distributors as are acceptable to Milestone, and Milestone sells such distributors \$3,000,000 of product within 18 months commencing August 12, 2005, Milestone will pay the consultant a \$20,000 bonus, in shares of Milestone common stock, valued based on the then current market value.

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS
NOTE K -- STOCK OPTION PLANS

In 1997, the Board of Directors approved the adoption of the 1997 Stock Option Plan. The 1997 Stock Option Plan provides for the grant of options to purchase up to 166,667 shares of Milestone's common stock. In 1999, the Plan was amended, providing for the grant of options to purchase up to 333,333 shares of Milestone's common stock. Options may be granted to employees, officers, and directors of Milestone for the purchase of common stock of Milestone at a price not less than the fair market value of the common stock on the date of the grant. In general, options become exercisable over a three-year period from the grant date and expire five years after the date of grant.

In July 2004, the Board of Directors approved the adoption of the 2004 Stock Option Plan. The 2004 Stock Option Plan provides for the grant of options to purchase up to 500,000 shares of Milestone's common stock. Options may be granted to employees, officers, directors and consultants of Milestone for the purchase of common stock of Milestone at a price not less than the fair market value of the common stock on the date of the grant. In general, options become exercisable over a three-year period from the grant date and expire five years after the date of grant. However, options issued in 2005 under the 2004 Option Plan are vested immediately.

Activity for employee stock options during 2005 and 2004 is summarized below:

| | SHARES OF COMMON STOCK ATTRIBUTABLE TO OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS |
|--|---|---|
| Options outstanding at January 1, 2004 | 234,782 | \$4.66 |
| Granted | 81,333 | 3.84 |
| Forfeited | (59,999) | 7.63 |
| | ----- | ----- |
| Options outstanding at December 31, 2004 | 256,116 | 3.70 |
| | ----- | ----- |
| Granted | 272,000 | 1.89 |
| Exercised | (333) | 2.25 |
| Forfeited | (74,616) | 3.62 |
| | ----- | ----- |
| Options outstanding at December 31, 2005 | 453,167 | \$2.63 |
| | ===== | ===== |

The following table summarizes information concerning outstanding and exercisable employee stock options at December 31, 2005. The weighted-average exercise price of employee stock options exercisable at December 31, 2005 was \$2.40.

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS

| Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life (years) | Number Exercisable |
|--------------------|---------------------------|---|---------------------------|
| \$0.87 | 16,667 | 2.0 | 0 |
| 0.90 | 8,333 | 2.7 | 5,555 |
| 1.25 | 112,000 | 5.0 | 112,000 |
| 1.40 | 80,000 | 4.9 | 80,000 |
| 1.50 | 26,668 | 2.2 | 26,668 |
| 1.65 | 16,667 | 1.0 | 0 |
| 2.25 | 13,166 | 1.0 | 13,166 |
| 3.27 | 80,000 | 4.2 | 80,000 |
| 3.60 | 8,333 | 1.5 | 8,333 |
| 4.92 | 51,333 | 3.4 | 17,111 |
| 6.00 | 16,667 | 0.0 | 0 |
| 7.50 | 23,333 | 0.6 | 23,333 |
| | ----- 453,167 ===== | | ----- 366,166 ===== |

Activity for stock options issued to consultants during 2005 and 2004 is summarized below:

| | SHARES OF COMMON STOCK ATTRIBUTABLE TO OPTIONS | WEIGHTED AVERAGE EXERCISE PRICE OF OPTIONS |
|--|---|---|
| Options outstanding at January 1, 2004 | 202,496 | \$6.59 |
| Granted | 260,801 | 3.48 |
| Options outstanding at December 31, 2004 | 463,297 | 4.84 |
| Granted | 199,999 | 4.21 |
| Forfeited | (89,165) | 8.12 |
| Options outstanding at December 31, 2005 | 574,131 | \$4.11 |

The following table summarizes information concerning outstanding and exercisable stock options held by consultants at December 31, 2005. The weighted-average exercise price of exercisable stock options held by consultants at December 31, 2005 was \$4.30.

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS

| Exercise Price | Number Outstanding | Remaining Contractual Life (Years) | Number Exercisable |
|-------------------|---------------------------|---|---------------------------|
| \$1.50 | 8,333 | 4.9 | 8,333 |
| 1.77 | 16,666 | 3.9 | 5,555 |
| 2.25 | 40,000 | 3.4 | 13,333 |
| 2.40 | 1,133 | 3.2 | 755 |
| 2.46 | 8,333 | 4.5 | 8,333 |
| 3.26 | 160,000 | 3.3 | 53,333 |
| 3.60 | 50,000 | 6.5 | 50,000 |
| 3.75 | 11,666 | 1.8 | 11,666 |
| 4.37 | 66,667 | 7.6 | 0 |
| 4.89 | 100,000 | 2.2 | 0 |
| 4.92 | 59,668 | 3.4 | 19,889 |
| 7.50 | 51,665 | 0.6 | 51,665 |
| | ----- 574,131 ===== | | ----- 222,862 ===== |

NOTE L -- EMPLOYMENT CONTRACT AND DEFERRED COMPENSATION

On December 20, 2003, Milestone entered into a new employment agreement with the CEO for a five-year term commencing January 1, 2004. Under the new agreement, the CEO will receive base compensation of \$300,000 per year, payable one half in cash and one half in common stock valued at the average closing price of the common stock during the first 15 trading days in the month of December during each year of the term. While the number of shares to be issued will be determined each year, the stock will not be issuable until the end of the term of the agreement. In addition, the CEO may earn annual bonuses up to an aggregate of \$300,000, payable one half in cash and one half in common stock, contingent upon Milestone achieving predetermined annual operating cash flow, revenue and earning targets as defined in the employment agreement. No bonuses were earned in 2004 or 2005.

In addition, if during any year of the term of the agreement the CEO earns a bonus, he shall also be granted 5-year stock options to purchase twice the number of shares earned. Each such option is to be exercisable at a price per share equal to the fair market value of a share on the date of grant (110% of fair market value if the CEO is a 10% or greater stockholder on the date of grant). The options shall vest and become exercisable to the extent of one-third of the shares covered at the end of each of the first three years following the date of grant, but shall only be exercisable while the CEO is employed by Milestone or within 30 days after the termination of his employment.

In accordance with the employment contract, as of December 31, 2005, 207,726 shares of common stock are to be paid out at the end of the contract in settlement of \$300,000 of accrued deferred compensation and, accordingly, such amount has been classified in stockholders' equity with the common shares classified as to be issued.

NOTE M -- INCOME TAXES

The federal income tax benefit computed at the statutory rate (34%) on the pre-tax loss amounted to \$936,000 in 2005 and \$1,019,000 in 2004. Such benefit is attributable to net operating loss carryforwards for which no benefit was recognized in the accompanying financial statements due to the company's history of past operating losses.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

Deferred tax attributes resulting from differences between financial accounting amounts and tax bases of assets and liabilities at December 31, 2005 and 2004 are as follows:

| | 2005 | 2004 |
|---------------------------------|-----------------|---------------|
| Current assets | | |
| Allowance for doubtful accounts | \$ 11,000 | \$ 10,000 |
| Inventory allowance | 11,000 | 11,000 |
| Deferred compensation | 120,000 | 60,000 |
| | ----- | ----- |
| Subtotal | 142,000 | 81,000 |
| Valuation allowance | (142,000) | (81,000) |
| | ----- | ----- |
| Current deferred tax asset | \$ - | \$ - |
| | ===== | ===== |
| Non-current assets | | |
| Net operating loss carryforward | \$ 15,800,000 | \$ 12,800,000 |
| Valuation allowance | \$ (15,800,000) | (12,800,000) |
| | ----- | ----- |
| Non-current deferred tax asset | \$ - | \$ - |
| | ===== | ===== |

The allowance increased by \$3,061,000 and \$615,000 for the years ended December 31, 2005 and 2004, respectively.

As of December 31, 2005, Milestone has Federal net operating loss carryforwards of approximately \$39,500,000 that will be available to offset future taxable income, if any, through December 2025. The utilization of Milestone's net operating losses may be subject to a substantial limitation due to the "change of ownership provisions" under Section 382 of the Internal Revenue Code and similar state provisions. Such limitation may result in the expiration of the net operating loss carryforwards before their utilization. Milestone has established a 100% valuation allowance for all of its deferred tax assets due to uncertainty as to their future realization.

NOTE N -- PRODUCT SALES AND SIGNIFICANT CUSTOMERS

Milestone's sales by product and by geographical region are as follows:

| | Year Ended December 31, 2005 | 2004 |
|-------------------------|---------------------------------|--------------|
| CompuDent | \$ 1,869,841 | \$ 1,496,318 |
| Handpieces | 3,617,662 | 3,017,265 |
| Other | 287,891 | 237,603 |
| | ----- | ----- |
| | \$ 5,775,394 | \$ 4,751,186 |
| | ===== | ===== |
| United States | \$ 4,323,058 | \$ 3,378,534 |
| Canada | 338,255 | 267,678 |
| Other Foreign Countries | 1,114,081 | 1,104,974 |
| | ----- | ----- |
| | \$ 5,775,394 | \$ 4,751,186 |
| | ===== | ===== |

During the years ended December 31, 2005 and 2004, Milestone had sales to one customer (a worldwide distributor of Milestone's products based in South Africa) of approximately \$893,435 and \$1,073,000, respectively. This represented 16% and 23% of the total net product sales for 2005 and 2004, respectively. Accounts receivable from this customer amounted to approximately \$219,094 representing 63% of net accounts receivable at December 31, 2005.

During 2005, Milestone earned royalty income of \$657,754 from United Systems, Inc, the licensee of Milestone's proprietary consumer dental whitening product, which is sold under Milestone's distributor's trademark, Ionic White.

MILESTONE SCIENTIFIC INC.
NOTES TO FINANCIAL STATEMENTS
NOTE O -- COMMITMENTS AND OTHER

(1) Lease Commitments

Milestone leases office space under a noncancelable operating lease with a base rental of \$87,808 per annum which was amended in April 2004 to extend the lease expiration date through June 30, 2009. This lease provides for escalations of Milestone's share of utilities and operating expenses. Milestone also leases office and telecom equipment under operating leases.

Aggregate minimum rental commitments under noncancelable operating leases are as follows:

YEAR ENDING DECEMBER 31,

| | |
|------|------------|
| 2006 | \$ 94,480 |
| 2007 | 91,768 |
| 2008 | 91,768 |
| 2009 | 47,204 |
| | ----- |
| | \$ 325,220 |
| | ===== |

For the years ended December 31, 2005 and 2004, rent expense amounted to approximately \$107,404 and \$79,000, respectively.

(2) Contract Manufacturing Agreement

Milestone has informal arrangements for the manufacture of its products. CompuDent and CompuMed units are manufactured for Milestone by Tricor Systems, Inc. pursuant to specific purchase orders. The Wand disposable handpiece is manufactured for Milestone in Mexico by Nypro Precision Assemblies ("NPA"), a subsidiary of Nypro Inc., pursuant to scheduled production requirements. The Wand Handpiece with Needle is supplied to Milestone by United Systems, which arranges for its manufacture by manufacturers in China. Milestone may expand its relationship with this supplier to include production of other types of handpieces. The termination of the manufacturing relationship with any of the above manufacturers could have a material adverse effect on Milestone's ability to produce and sell its products. Although alternate sources of supply exist and new manufacturing relationships could be established, Milestone would need to recover its existing tools or have new tools produced. Establishment of new manufacturing relationships could involve significant expense and delay. Any curtailment or interruption of the supply, whether or not as a result of termination of such a relationship, would adversely affect Milestone.

Milestone entered into a purchase agreement with Tricor Systems, Inc. to supply Milestone with units of CompuDent and CompuMed. Milestone expects to receive units in 2006 with a cost to Milestone of \$400,000 to \$600,000, starting from the third quarter of 2006

(3) Other Commitments

The technology underlying our SafetyWand, the CompuFlo and an improvement to the controls for CompuDent were developed by our Director of Clinical Affairs and assigned to us. We purchased this technology pursuant to an agreement dated January 1, 2005, for, 43,424 shares of restricted common stock and \$145,000 in cash, payable on April 1, 2005. In addition, he will receive additional payments of 2.5% of our total sales of products using certain of these technologies, and 5% of our total sales of products using certain other of the technologies. In addition, he is granted, pursuant to the agreement, an option to purchase, at fair market value on the date of the grant, 8,333 shares of our common stock upon the issuance of each additional patent relating to these technologies. If products produced by third parties use any of these technologies (under license from us) then he will receive the corresponding percentage of the consideration received by us for such sale or license. In 2005 Milestone paid the Director royalty expenses of \$49,160 and granted him 16,666 options for new patents approved.

MILESTONE SCIENTIFIC INC.

NOTES TO FINANCIAL STATEMENTS

The technology underlying our CoolBlue Professional Whitening and Ionic White Consumer Whitening Products was acquired from DaVinci Systems. Under the terms of a licensing agreement with a third party manufacturer, we will receive licensing fees resulting from the sales of the consumer whitening product. A royalty of 7% of licensing fees resulting from the sales of the consumer whitening product will be paid to DaVinci Systems. In 2005 Milestone paid royalty expenses of \$53,397 to DaVinci. In addition, Milestone committed to pay royalty of 5% of our licensing fees generated from the sale of the consumer whitening product to Strider Inc. Royalty paid to Strider was \$36,143 for the year ended December 31, 2005. Strider assisted in bringing the CoolBlue and Ionic White product lines to Milestone.

(4) Other Income

Other income in 2005 consists of \$400,000 paid to the Company for the purchase of certain rights held by the Company.

NOTE P -- RELATED PARTY TRANSACTIONS

For the years ended December 31, 2005 and 2004, the Company paid \$28,830 and \$25,773 to the wife of Milestone's CEO, for professional services, principally related to income tax compliance.

In February 2004, Milestone issued 246,044 units in consideration for notes payable and accrued interest due to an officer and a shareholder of \$1,604,204. Each unit consisted of 2 shares of Milestone's common stock (492,088 shares of common stock) and a warrant.

Exhibit 10.10

LICENSING, MANUFACTURING AND CONSULTING AGREEMENT

LICENSING, MANUFACTURING AND CONSULTING AGREEMENT (the "Agreement") dated as of June 1, 2004, among DA VINCI SYSTEMS, INC., Inc., a California corporation ("Da Vinci"), Alan Creamer, Chief Executive Officer of Da Vinci ("Creamer") and MILESTONE SCIENTIFIC, INC., a Delaware corporation ("MILESTONE").

WITNESSETH

WHEREAS Creamer has an exclusive license under a patent co-owned by him and another person as well as other rights, to certain products used in dentistry for purposes of curing, trans-illuminating, tacking and whitening teeth, all as set forth on EXHIBIT 1 to this Agreement (the "PRODUCTS");

WHEREAS Da Vinci and Creamer own certain rights to teeth whitening products geared directly to the professional dental market all as set forth on EXHIBIT 2 to this Agreement (the "PROFESSIONAL PRODUCTS");

WHEREAS Milestone wishes to obtain an exclusive license from Da Vinci and Creamer to manufacture, market and sell the Products and the Professional Products in the U.S. and such other jurisdictions as Milestone determines and Da Vinci and Creamer wish to grant such license;

WHEREAS Da Vinci and Creamer own certain rights to and Creamer has filed provisional patents to teeth whitening products geared directly to the consumer market all as set forth on EXHIBIT 3 to this Agreement (the "CONSUMER PRODUCTS");

WHEREAS Da Vinci and Creamer wish to assign the rights to the Consumer Products and assign such provisional patents to Milestone and Milestone wishes to assume such provisional patents and obtain such rights to the Consumer Products from Da Vinci and Creamer;

WHEREAS Milestone wishes to retain consulting services from DaVinci in connection with the research and development, manufacturing, marketing and sale of the Products the Consumer Products and DaVinci wishes to provide such consulting services to Milestone;

WHEREAS Da Vinci wishes to sell to Milestone all of its usable inventory of parts for the Products (the "INVENTORY") as well as certain molds used to manufacture some of the Products and Milestone wishes to purchase such Inventory and molds; and

WHEREAS Milestone wishes that Da Vinci, for a limited period of time, will be responsible for the assembly and supply to Milestone of finished Products and Consumer Products and Da Vinci wishes to do so.

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, and promises contained herein, and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto, intending to be legally bound, agree as follows:

1. Exclusive License to Products

1.1 Creamer hereby grants to Milestone the exclusive right, including as to Da Vinci and Creamer, to use U.S. Patent 6,102,696, registered jointly under his name and the name of J. Martin Osterwalder which copy is annexed to this Agreement as Schedule 1.1 (the "Patent") and any other rights he has to the Products and the Professional Products, for the life of such patent, commencing on the date of this Agreement (the "License Term"), for the manufacture, marketing, distribution and sale of the Products and the Professional Products in the U.S. and such other jurisdictions as Milestone determines .

Creamer hereby represents that he has an exclusive license granted to him by Mr. Osterwalder, to make, market and sell certain products under the Patent, including the Products and the Professional Products, which copy of such license is annexed to this Agreement as Schedule 1.2 and that he has good and marketable title to this patent, free and clear of any liens or encumbrances.

1.2 Milestone shall pay to Creamer:

(a) a royalty equal to 2.5% of the net sales of the Products included in Schedule 1.2.A ["Gun" style] that are covered under the Patent except that on sales made to existing customers of Da Vinci, whose name appears on the list attached hereto as Schedule 1.2.B, the royalty will be in the rate of 20% of net sales.

(b) a royalty equal to 7% of the net sales of the Products included in Schedule 1.2.C [Consumer and Professional Bleaching Kits, collectively "Bleaching Kits"]

(c) The foregoing royalty payments shall be paid on a monthly basis within 20 days from the end of each month.

1.3 For purposes of this section "Net Sales" shall mean gross sales less discounts, returns and allowances.

1.4 The parties agree that in the event of Creamer's death before the end of the License Term, Milestone shall continue to pay royalty directly to his wife, Mrs. Rosanna Creamer.

1.5 Milestone shall have the right to use its own trademarks and brand names on the Products and any ancillary products designed for use along with the Products.

2. Assignment of patent applications for Consumer Products

2.1 Creamer hereby assigns to Milestone any and all rights, including his provisional patent applications for (i) Intra Oral Whitening Light and Photo Sensitive Whitening Formula; (ii) Whitening Tablet and Rinse; and (iii) Method and Composition for Whitening Teeth, which copies of such applications are annexed to this Agreement in Schedules 2.1.A, 2.1.B and 2.1.C, respectively. Da Vinci and Creamer hereby represent that they have good and marketable title to these patent applications, free and clear of any liens or encumbrances and that no other party has rights to these patents.

2.2 Creamer shall fully cooperate in the preparation and filing of non-provisional and foreign applications for the abovementioned provisional applications and in the assignment of these patent applications to Milestone, including executing any and all necessary documents.

3. Consulting Services

3.1 Engagement. Milestone hereby engages Da Vinci to make Creamer available to Milestone on a full time basis to render the consulting services, through Creamer, specified herein, and Da Vinci accepts engagement by Milestone to render certain consulting services on the terms and conditions set forth herein.

3.2 Services. For a term of one year commencing on the date hereof and terminating on the one year anniversary of the date hereof (the "Consulting Term"), Da Vinci shall perform the following services ("Services") for Milestone:

A. Da Vinci shall assist Milestone in the orderly transfer of the Inventory and the rights for the Consumer Products from Da Vinci to Milestone;

B. Da Vinci shall assist Milestone in responding to inquiries from customers of Milestone;

C. Da Vinci shall train employees of Milestone relative to the use of the Products, the Professional Products and the Consumer Products; and

D. Da Vinci shall perform such other duties, as Milestone shall reasonably deem in the best interest of Milestone, including, without limitation, participating in trade shows and assisting with research and development of the Products, the Professional Products and the Consumer Products.

3.3 Compensation. For the Services rendered by Da Vinci pursuant to this Agreement, Milestone shall pay to Da Vinci the sum of One Hundred Thousand and 00/100 Dollars (\$100,000.00), which sum shall be payable in twelve (12) equal monthly installments in the amount of Eight Thousand Three Hundred and 33/100 Dollars (\$8,333.33) each. The first (1st) installment shall be due and payable by the Milestone to Da Vinci upon the execution of this Agreement and payment for the following months shall be due and payable on the last day of each month through and including May, 2005.

3.4 Representations and Warranties. Da Vinci and/or Creamer hereby covenants, warrants and represents, which covenants, warranties and representations shall be continuing covenants, warranties and representations, as follows:

A. Da Vinci's Chief Executive Officer, Alan Creamer, shall devote his full work time, knowledge and skills to perform the Services to Milestone under this Agreement;

B. Da Vinci and/or Creamer shall be responsible for the withholding and payment of any and all state and federal income taxes, FICA or social security taxes, and FUTA or unemployment taxes applicable under federal, state or local laws;

C. There is no circumstance, action, proceeding or investigation pending or threatened against Da Vinci and/or Creamer nor any term or provision of any agreement, instrument, judgment, decree, order, statute, rule or regulation which prevents or interferes with or limits adversely its entering into this Agreement or the validity of this Agreement or carrying out the terms hereof;

D. Da Vinci and/or Creamer agree that any and all information pertaining to Milestone, the Products, the Consumer Products and the Inventory, including but not limited to any trade secrets, customer lists, computer programs, methods of operation, pricing information and other confidential information, are the sole property of Milestone. Such information shall be deemed confidential whether obtained by Da Vinci and/or Creamer by reason of Da Vinci's engagement with Milestone or before or during the term of this Agreement. Da Vinci and/or Creamer shall not without the prior written consent of Milestone, use for its or his own benefit or in any way adverse to the interests of Milestone, or disclose, directly or indirectly, in any fashion or manner whatsoever, either during the term of this Agreement or at any time thereafter, any trade secret or other confidential information relative to Milestone, the Products, the Professional Products, the Consumer Products and the Inventory. Da Vinci and/or Creamer shall not, without the prior written consent of Milestone, take or retain or copy any trade secrets or other confidential information.

3.5 Termination. The Consulting Term may terminate earlier than contemplated in section 3.2 above, commencing two weeks from receipt of written notice from either party notifying the other party of its material breach of the terms of the provisions of this section 3 to this Agreement and in the event the breaching party had not cured such breach during this two week period. In the event the Consulting Term is terminated due to a material breach on behalf of Milestone, the entire unpaid compensation owed by Milestone to Da Vinci pursuant to Paragraph 3.3 hereof shall continue to be payable according to the same monthly schedule. In any other event of early termination, no additional payments shall be due to Da Vinci following the termination date.

3.6 Relationship of Parties. The relationship of the parties herein shall be that of principal and independent contractor and not that of employer and employee. Nothing contained in this Agreement shall be deemed or construed to create a partnership, tenancy-in-common, joint tenancy, joint venture, co-ownership or other similar relationship by or between Milestone and Da Vinci. Da Vinci shall have full power and authority to select the means, manner, method and sequence of performing the services hereunder.

3.7 Non-Assignability. Milestone and Da Vinci acknowledge and agree that Da Vinci shall perform the Services only through its Chief Executive Officer, Alan Creamer, and will not have the right to assign its obligation to perform the Services to any other employee or agent on its behalf.

4. Sale of Inventory and Molds

4.1 Da Vinci will sell and transfer to Milestone and Milestone will purchase from Da Vinci its entire usable inventory of parts of the Products, as set forth on Schedule 4.1. ("Transferred Inventory"). Da Vinci hereby represents and warrants to Milestone that it is the sole legal and beneficial owner of all of the Transferred Inventory and that such assets are owned free and clear of all liens, mortgages, pledges and other security interests and that it has the full legal and corporate power and authority to transfer such assets to Milestone in accordance with the terms hereof. The purchase price for the Transferred Inventory shall be \$94,897.59 and shall be payable in cash within 5 days following execution of this Agreement.

4.2 Da Vinci will sell to Milestone and Milestone will purchase from Da Vinci the molds associated with the production of the "Gun Style" Cool Blue products ("Molds"), as set forth on Schedule 4.2. Da Vinci hereby represents and warrants to Milestone that it is the sole legal and beneficial owner of the Molds and that they are owned free and clear of all liens, mortgages, pledges and other security interests and that it has the full legal and corporate power and authority to transfer such Molds to Milestone in accordance with the terms hereof. The purchase price for the Molds shall be determined by dividing the original purchase price of each mold by the number of applications it was designed to perform and multiplying the quotient by the number of applications remaining to be made using such mold. The number of applications remaining to be made will be the number of applications the mold was designed to perform less the number of applications made to that date using that mold. The purchase price for the Molds, as will be agreed by the parties using the above described formula will be paid in twelve equal monthly installments commencing 15 days from final inspection and validation of the Molds by Milestone, to be performed no later than August 1, 2004. Upon payment of the first installment, the parties will execute a bill of sale reflecting the passage of ownership in the Molds to Milestone.

5. Assembly and Supply of Finished Goods

5.1 Da Vinci shall continue to assemble and supply finished Products to Milestone pursuant to purchase orders received from Milestone, at a manufacturing price per unit as set forth in schedule 5.1. DaVinci shall use parts owned and inventoried by Milestone for such Products. DaVinci will have access to Milestone's warehouse and will independently obtain the necessary parts to fulfill each purchase order. Da Vinci will provide to Milestone, no later than the 7th day of each month, a detailed list and count of all of the parts obtained by it from Milestone's warehouse for use in fulfilling Milestone's purchase orders in the previous month. All orders will be filled and shipped to Milestone or directly to the customer, per Milestone's instructions, within 30 days from receipt of a purchase order and a 50% deposit. The remaining balance is to be paid net 30 days F.O.B. manufacturer.

5.2 Da Vinci represents and warrants that all Products produced and assembled by it shall comply with all federal, state, and local laws, rules and regulations and shall be produced in accordance with the FDA's GMP standards and comparable regulations of the European Community. Da Vinci further represents that and warrants that all Products produced by it shall be of merchantable quality and free from defects. Da Vinci shall keep its manufacturing and packaging records and data for the Products in accordance with GMP standards and Milestone will have access to such information upon reasonable notice during business hours and will be entitled to make copies at its own cost.

5.3 Da Vinci shall defend Milestone and hold it harmless against all damages, claims, costs and expenses (including reasonable attorney's fees) arising out of or resulting from any product liability claims relating to Products produced by it. This obligation for indemnification shall be contingent upon Milestone giving Da Vinci timely notice of any claim or loss. Da Vinci shall carry and keep in force as long as it manufactures and supplies products to Milestone, a Comprehensive General Liability Insurance, including Products Liability combined single limit in the amount of \$2,000,000, naming Milestone as an additional insured party.

5.4 Milestone may transfer the assembly, manufacturing and supply of some or all of these Products to a different supplier, upon 60 days prior written notice to Da Vinci.

6. Non-Compete and Non Solicitation

6.1 The covenants set forth in Paragraph 6.2 and 6.3 are reasonably necessary for the protection of the interest of Milestone, and are not unreasonably restrictive upon the rights of Da Vinci or Creamer.

6.2 Covenant Not to Compete. Da Vinci and Creamer agree, as a material part of the consideration of Milestone to enter into this Agreement, that it shall not, without the prior written consent of Milestone, for a period of time commencing on the date hereof, and ending three (3) years following the date hereof, engage, either directly or indirectly, including but not limited to as a partner, owner, proprietor, shareholder, employee, officer or contractor in the business of manufacturing, marketing, distributing and selling light emitting devices for curing of dental repair amalgams, trans-illumination of teeth and activation of gels and pastes and consumables for use in connection therewith worldwide (or such smaller area and on such terms as a court of competent jurisdiction shall deemed permissible in order to give effect to this Paragraph 6.2). In addition, Da Vinci and Creamer agree that for a period of time commencing on the date hereof and ending three (3) years following the date hereof, Da Vinci and Creamer shall not solicit or assist in the solicitation of any of the clients of Milestone for the purpose of providing services similar or identical to those provided by Milestone, or discouraging the engagement of Milestone by any clients with respect to future services. Da Vinci, Creamer and Milestone acknowledge and agree that any damages sustained or to be sustained by Milestone as a result of any breach or intended breach of this Paragraph 6.2 by Da Vinci or Creamer shall be extremely difficult to ascertain, and therefore agree that Milestone shall have the right, in addition to any right of damages or other relief, to enjoin, or to obtain other appropriate equitable relief to prevent or stop, any breach or intended breach of this Paragraph 6.2 by Da Vinci or Creamer. Milestone, Da Vinci and Creamer acknowledge and agree that this Paragraph shall survive termination of this Agreement.

6.3 Non-Solicitation of Employees. Da Vinci and Creamer agree that for a period of time commencing on the date hereof and ending three (3) years following any termination of this Agreement, Da Vinci and/or Creamer shall not individually or as a partner, owner, proprietor, shareholder, employee, officer, contractor or agent, either directly or indirectly, hire, solicit or otherwise encourage or entice to leave their employment with Milestone, any employee of Milestone. Milestone, Da Vinci and Creamer acknowledge and agree that this Paragraph shall survive termination of this Agreement.

Milestone Milestone Scientific, Inc.
220 South Orange Avenue
Livingston, New Jersey 07039
Attn: Stuart Wildhorn
Telephone: (973) 535-2717
Fax: (973) 535-2829

With copy to: Stephen A. Zelnick, Esq.
Morse, Zelnick, Rose & Lander, LP
405 Park Avenue, Suite 1401
New York, New York 10022
Telephone: (212) 838-8040
Fax: (212) 838-9190

8.4 Successors and Assigns. This Agreement, to the extent assignable, shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8.5 Invalidity. Wherever possible, each provision of this Agreement shall be interpreted in such manner as to be valid under applicable law, but if any provision of this Agreement shall be invalid or prohibited hereunder, such provision of this Agreement shall be ineffective to the extent of such invalidation or prohibition, but shall not invalidate the remainder of such provision or the remaining provisions of this Agreement.

8.6 Waiver. No failure on the part of any party hereto to exercise any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right or remedy hereunder preclude any other or further exercise thereof or the exercise of any right or remedy granted hereby or by law.

8.7 Controlling Law. This Agreement shall be construed and interpreted under, and governed and enforced according to the laws of the State of New Jersey.

8.8 Headings. The headings used herein are for the convenience and reference of the parties hereto and are not intended to define, limit or describe the scope or intent of any provision of this Agreement.

8.9 Representation by Counsel. Each of the parties has been represented by or has had the opportunity to be represented by legal counsel of his or its own choice. This Agreement had been negotiated among them and if there is any ambiguity, no presumption concerning this Agreement against a party shall be imposed because this Agreement was prepared by counsel for the party.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date first above written.

DA VINCI:

DA VINCI SYSTEMS, INC., a California corporation

By: /s/ Alan Creamer

Alan Creamer, President

MILESTONE:

MILESTONE SCIENTIFIC, INC., a Delaware corporation

By: /s/ Stuart Wildhorn

Stuart Wildhorn, President

/s/ Alan Creamer

ALAN CREAMER

EXHIBIT 1

PRODUCTS

CoolBlue(TM) Wand Dental Diode Lighting System (Creamer/Osterwald Patent)

Trans-illuminating Tip

Tacking Tip

Whitening Tip

Amber Shield

Barrier Sheath

EXHIBIT 2

PROFESSIONAL DENTAL WHITENING PRODUCTS

Whitening Gel (35 - 47%)

Whitening Gel Accelerator

Whitening Rinse

Whitening Rinse Accelerator

EXHIBIT 3

CONSUMER PRODUCTS (PROVISIONAL PATENTS FILED)

CoolBlue(TM) Wand Consumer Light

Whitening Gel (3 - 5%)

Whitening Gel Accelerator

Whitening Rinse

Whitening Rinse Accelerator

SCHEDULE 1.1

APPARATUS FOR CURING RESIN IN DENTISTRY - U.S. PATENT 6,102,696

UNITED STATES PATENT
OSTERWALDER , ET AL.

6,102,696
AUGUST 15, 2000

Apparatus for curing resin in dentistry

ABSTRACT

A self contained light source for curing light initiated resins used to coat teeth as veneers and fill cavities and chips in teeth in aesthetic or restorative procedures. The source includes an elongated container holding a battery and electronic compartment at one end and a light emitting window at the other. A plurality of closely spaced light emitters, typically light emitting diodes or laser diodes, are arrayed to direct light to a common focal point. The light is directed out of the container toward a tooth bearing the resin to be cured to a hard, stable state. The light emitters produce light in a region of the spectrum to which the resin curing initiators is sensitive, typically blue light. The light emitters are preferably mounted on concave edged printed circuit so that they are all oriented inwardly toward the focal point. Microlenses may be used with each light emitter to further concentrate light toward the focal point. Preferably, a light transparent barrier sleeve is placed over the light emitting end of the container and replaced between patients.

Inventors: OSTERWALDER; J. MARTIN (2119 Via Tiempo, Cardiff, CA 92007); CREAMER; ALAN AUSTIN (16065 Via De Las Palmas, San Diego, CA 92091)

Appl. No.: 302526

Filed: APRIL 30, 1999

CURRENT U.S. CLASS:

433/29; 433/229

INTERN'L CLASS:

A61C 003/00

FIELD OF SEARCH:

433/29,215,229 362/120,119

REFERENCES CITED [REFERENCED BY]

U.S. PATENT DOCUMENTS

5328368 Jul., 1994 Lansing et al. 433/116.

5634711 Jun., 1997 Kennedy et al. 362/119.

Primary Examiner: Wilson; John J.

Assistant Examiner: Bumgarner; Melba

Attorney, Agent or Firm: Gilliam; Frank D.

SCHEDULE 1.2 (EXCLUSIVE LICENSE AGREEMENT)

SCHEDULE 1.2A (GUN STYLE)

COOLBLUE WAND DENTAL DIODE LIGHTING SYSTEM

Part numbers:

Part numbers:

CB11-001 CoolBlue Curing Light, 100V
CB11-002 CoolBlue Trans-illumination Light, 100V
CB11-003 CoolBlue Tacking Light, 100V
CB11-004 CoolBlue Whitening Tip, 100V
CB12-001 CoolBlue Curing Light, 220V
CB12-002 CoolBlue Trans-illumination Light, 220V
CB12-003 CoolBlue Tacking Tip, 220V
CB12-004 CoolBlue Whitening Tip, 220V

Accessories:

CB00-001 Curing Tip
CB00-002 Trans-illumination Tip
CB00-003 Tacking Tip
CB00-004 Whitening Tip
CB00-005 Amber Shield
CB00-006 Barrier Sheaths

SCHEDULE 1.2.B

DA VINCI'S EXISTING CUSTOMERS OF PRODUCTS INCLUDED IN SCHEDULE 1.2.A

American Dental Systems GMBH.

Prodentec, Professional Dental Technologies, Inc. Advance Dental

DC DENTAL

DR. CARR

DMD Australia

DMD UK

SCHEDULE 1.2.C (BLEACHING KITS)

Consumer Light Kit
Consumer Maintenance Kit
Professional Dental Kit
Patient Take Home Kit

SCHEDULE 2.1.A

PROVISIONAL PATENT APPLICATION 60/499,692 - INTRA ORAL WHITENING LIGHT AND PHOTO SENSITIVE WHITENING FORMULA

SCHEDULE 2.1.B

PROVISIONAL PATENT APPLICATION 60/505,196 - WHITENING TABLET AND RINSE

SCHEDULE 2.1.C

PROVISIONAL PATENT APPLICATION 60/498,990 - METHOD AND COMPOSITION FOR WHITENING TEETH.

SCHEDULE 4.1

TRANSFERRED INVENTORY (AS OF JUNE 1, 2004)

| DESCRIPTION | VENDOR | WHERE USED | QOH |
|-----------------------------|---------------------|-----------------------------|-------|
| Power Supply | Jerome Industries | CoolBlue | 2,448 |
| Charger Boards, components | Velleman | CoolBlue | 1,600 |
| Charger Boards, Complete | Velleman | CoolBlue | 630 |
| Batteries, 4.8 V | House of Batteries | Toothbrush, 3 Watt CoolBlue | 1,065 |
| LED, Blue | Nichia America Corp | CoolBlue | 500 |
| LED, Green | Nichia America Corp | CoolBlue | 500 |
| PCB, Timer | | CoolBlue | 1,000 |
| Foam Insert, Packaging | Kent H. Landsberg | CoolBlue | 1,322 |
| Box, Packaging | Kent H. Landsberg | CoolBlue | 1,414 |
| Labels | | CoolBlue | 950 |
| Molded handpiece, Right | Enstrom Corporation | CoolBlue | 1,000 |
| Molded handpiece, Left | Enstrom Corporation | CoolBlue | 1,000 |
| Molded Charger Base, Top | Enstrom Corporation | CoolBlue | 1,000 |
| Molded Charger Base, Bottom | Enstrom Corporation | CoolBlue | 1,000 |
| Rubber handpiece button set | Enstrom Corporation | CoolBlue | 1,440 |
| Button Support (metal) | Enstrom Corporation | CoolBlue | 2,000 |
| Shell Back, Single LED | Vinatech | CoolBlue | 903 |
| Shaft, Single LED | Vinatech | CoolBlue | 1,366 |
| LED Holder, Single LED | Vinatech | CoolBlue | 1,000 |
| Shell Back, Curing | Vinatech | CoolBlue | 1,300 |
| LED Holder, Curing | Vinatech | CoolBlue | 1,319 |
| MilSpec RCA Connector | | CoolBlue | 250 |
| Gold Pins | | CoolBlue | 2,000 |
| Gold Pins, Spring | | CoolBlue | 2,000 |

| DESCRIPTION | COST | EXTENDED COST | NET COST |
|-----------------------------|----------|----------------------|---------------------|
| Power Supply | \$ 14.86 | \$ 36,377.28 | \$ 30,193.14 |
| Charger Boards, components | \$ 5.50 | \$ 8,800.00 | \$ 7,304.00 |
| Charger Boards, Complete | \$ 10.00 | \$ 6,300.00 | \$ 5,229.00 |
| Batteries, 4.8 V | \$ 8.79 | \$ 9,361.35 | \$ 7,769.92 |
| LED, Blue | \$ 2.40 | \$ 1,200.00 | \$ 996.00 |
| LED, Green | \$ 1.80 | \$ 900.00 | \$ 747.00 |
| PCB, Timer | \$ 23.04 | \$ 23,040.00 | \$ 19,123.20 |
| Foam Insert, Packaging | \$ 2.50 | \$ 3,305.00 | \$ 2,743.15 |
| Box, Packaging | \$ 0.54 | \$ 763.56 | \$ 633.75 |
| Labels | \$ 0.26 | \$ 247.00 | \$ 205.01 |
| Molded handpiece, Right | \$ 1.81 | \$ 1,810.00 | \$ 1,502.30 |
| Molded handpiece, Left | \$ 1.81 | \$ 1,810.00 | \$ 1,502.30 |
| Molded Charger Base, Top | \$ 2.22 | \$ 2,220.00 | \$ 1,842.60 |
| Molded Charger Base, Bottom | \$ 2.22 | \$ 2,220.00 | \$ 1,842.60 |
| Rubber handpiece button set | \$ 0.74 | \$ 1,065.60 | \$ 884.45 |
| Button Support (metal) | \$ 0.85 | \$ 1,700.00 | \$ 1,411.00 |
| Shell Back, Single LED | \$ 2.20 | \$ 1,986.60 | \$ 1,648.88 |
| Shaft, Single LED | \$ 0.80 | \$ 1,092.80 | \$ 907.02 |
| LED Holder, Single LED | \$ 1.00 | \$ 1,000.00 | \$ 830.00 |
| Shell Back, Curing | \$ 2.20 | \$ 2,860.00 | \$ 2,373.80 |
| LED Holder, Curing | \$ 2.66 | \$ 3,508.54 | \$ 2,912.09 |
| MilSpec RCA Connector | \$ 1.25 | \$ 312.50 | \$ 259.38 |
| Gold Pins | \$ 0.60 | \$ 1,200.00 | \$ 996.00 |
| Gold Pins, Spring | \$ 0.60 | \$ 1,200.00 | \$ 996.00 |
| Totals: | | \$ 114,280.23 | \$ 94,897.59 |

SCHEDULE 4.2
TRANSFERRED MOLDS

| TYPE OF MOLD | ORIGINAL PURCHASE PRICE |
|--------------|-------------------------|
| HANDSET | \$28,985 |
| CHARGER BASE | \$22,750 |
| RUBBER PARTS | \$12,245 |

SCHEDULE 5.1
MANUFACTURING PRICES

| Product Description | Manufacturing Price |
|--|---------------------|
| CoolBlue Curing Light, 110/220V | \$70.00 |
| CoolBlue, Trans-illumination Light, 110/220V | \$65.00 |
| CoolBlue, Tacking Light, 110/220V | \$65.00 |
| CoolBlue, Whitening Light, 110/220V | \$70.00 |
| Curing Tip | \$40.00 |
| Tacking Tip | \$35.00 |
| Trans-illumination | \$35.00 |
| Whitening Tip | \$40.00 |

[MILESTONE SCIENTIFIC LOGO]

March 18, 2004

Mr. Alan A. Creamer
16065 Viadelas Palmas
Rancho Santa Fe, CA 92091

Dear Alan:

It is with great pleasure that I extend an offer to join the Milestone Scientific team as Business Unit Manager, Diode Lighting Systems. In this new capacity, you will be responsible for the growth of this extremely important segment of our business. The opportunity is multi-functional, which will provide an extremely dynamic opportunity. We are all very excited about you joining our team. The specifics of the offer are attached.

The timing of the offer is contingent on our agreement regarding the purchase of the usable inventory. I am planning on reviewing this with you and taking a physical count the week of March 29th. Once Milestone owns the usable inventory, we will begin purchasing the components necessary to build the CoolBlue Wand, the "toothbrush" model as well as accessories. We must still agree on the final cost of the units to Milestone following these transactions.

Alan, I realize that this is a big step for both of us; however, I am confident that both you and Milestone will derive mutual benefit. If you are in agreement with terms outlined on the attached offer, please sign in the appropriate section and let's get going!

Sincerely,

/s/ Stuart J. Wildhorn

*Stuart J. Wildhorn
President*

220 South Orange Avenue, Livingston, NJ 07039 o Tel: 973-535-2717
o Fax: 973-535-2829 www.MileSci.com

Milestone Scientific

MEMO

TO: Kevin Lusardi
FROM: Stu Wildhorn
CC:
DATE: August 31, 2004
RE: Da Vinci Mold Purchase

Kevin, as part of the agreement with Da Vinci and Alan Creamer, Milestone agreed to purchase the molds for the CoolBlue Wand handset, charger base and rubber parts. The agreement stipulated that the purchase price would be based on dividing the original price of each mold by the number of applications it was designed to perform and multiplying the quotient by the number of applications remaining to be made for each mold.

I have attached a letter from the mold firm, Enstrom Mold and Engineering, Inc., that states they will guarantee the molds for as long as Milestone uses them, at no charge, as long as they remain in their facility. I have also personally inspected the molds and found them to be in perfect working order.

Based on the above and pursuant to Section 4.2, Sale of Inventory and Molds (attached for your reference), please set up to pay Da Vinci the sum of \$63,980.00 in twelve equal payments of \$5,331.67, commencing September 1st. Per the agreement, once Da Vinci receives the initial payment, we will execute a bill of sales reflecting the passage of ownership in the molds to Milestone.

Please let me know if you need any additional information.

Thank you

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statements (Form S-3 No. 333-118807 and No. 333-127728) of Milestone Scientific Inc. and in the related Prospectus of our report dated March 23, 2006 with respect to the financial statements of Milestone Scientific Inc. included in this Annual Report on Form 10-KSB for the year ended December 31, 2005.

/s/ Eisner LLP

*New York, New York
April 5, 2006*

Exhibit 31.1
CERTIFICATION

I, Leonard Osser, certify that:

1. I have reviewed this annual report on Form 10-KSB of Milestone Scientific Inc. ("the registrant").
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2006

/s/ Leonard Osser

Leonard Osser

Chairman and Chief Executive Officer

Exhibit 31.2
CERTIFICATION

I, Rosaline Chau, certify that:

1. I have reviewed this annual report on Form 10-KSB of Milestone Scientific Inc. ("the registrant").
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) for the registrant and have:
 - a. Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b. Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c. Presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2006

/s/ Rosaline Chau

Rosaline Chau
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Milestone Scientific Inc. on Form 10-KSB for the year ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Leonard Osser, Chief Executive Officer of Milestone, certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Milestone.

/s/ Leonard Osser

Leonard Osser
Chief Executive Officer
March 31, 2006

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO**

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Milestone Scientific Inc. on Form 10-KSB for the year ending December 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Rosaline Shau, Chief Financial Officer of Milestone, certify pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Milestone.

/s/ Rosaline Shau

*Rosaline Shau
Chief Financial Officer
March 31, 2006*
