MILESTONE SCIENTIFIC INC.
Form DEF 14A
April 30, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e) (2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Milestone Scientific Inc.

(Name of Registrant as Specified in its Charter)

Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

1. Title of each class of securities to which transaction applies:

2. Aggregate number of securities to which transaction applies:

3. (Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4. Proposed maximum aggregate value of transaction:

5. Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed: .

Milestone Scientific Inc.

Notice of Annual Meeting of Stockholders

To be held on May 30, 2018

To the Stockholders of Milestone Scientific Inc.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Milestone Scientific Inc. (“Milestone” or the “Company”) will be held at 220 South Orange Avenue, Suite 102 , Livingston , NJ 07039 on May 30, 2018 at 9:00 AM, Eastern Time, for the purpose of considering and acting upon the following:

1. Election of six (6) directors.

2. Advisory approval of the appointment of Friedman LLP as the Company's independent auditors for the fiscal year ending December 31, 2018.

3. Such other business as may legally come before the meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 4,2018 as the record date for determining the stockholders having the right to notice of and to vote at the meeting.

By order of the Board of Directors

Leslie Bernhard

Chairman of the Board

Livingston, New Jersey

April 19, 2018

IMPORTANT: Every stockholder, whether or not he or she expects to attend the annual meeting in person, is urged to execute the proxy and return it promptly in the enclosed business reply envelope. Sending in your proxy will not prevent you from voting your stock at the meeting if you desire to do so, as your proxy is revocable at your option. We would appreciate your giving this matter your prompt attention.

MILESTONE SCIENTIFIC INC.

PROXY STATEMENT

For Annual Meeting of Stockholders

To be Held on May 30, 2018

Proxies in the form enclosed with this statement are solicited by the Board of Directors (the “Board”) of Milestone Scientific Inc. (“we”, “us”, “our”, the “Company” or “Milestone Scientific”) to be used at the Annual Meeting of Stockholders (the “Annual Meeting”) and any adjournments thereof, to be held at G220 South Orange Avenue, Suite 102 , Livingston , NJ 07039 on May 30, 2018 at 9:00 AM, Eastern Time, for the purposes set forth in the Notice of Meeting and this Proxy Statement. The Board knows of no other business which will come before the meeting. This Proxy Statement and the accompanying proxy will be mailed to stockholders on or about April 19, 2018.

THE VOTING AND VOTE REQUIRED

Record Date and Quorum

Only stockholders of record at the close of business on April 4, 2018 (the “Record Date”) are entitled to notice of and vote at the Annual Meeting. On the Record Date, there were 33,183,238 outstanding shares of common stock, par value $.001 per share (“Common Stock”) and 7,000 shares of our Series A Convertible Preferred Stock, par value $.001 per share, outstanding (“Preferred Stock”). Each share of Common Stock is entitled to one vote, and each share of Preferred Stock is entitled to approximately 421.94 votes. In the aggregate, the holders of all classes, voting as a single class, may cast 36,136,824 votes at the Annual Meeting. Shares represented by each properly executed, unrevoked proxy received in time for the Annual Meeting will be voted as specified. A quorum will be present at the Annual Meeting of stockholders owning not less than one-third of the shares issued and outstanding on the Record Date are present at the meeting in person or by Proxy.

Voting of Proxies

The persons acting as proxies pursuant to the enclosed proxy will vote the shares represented as directed in the signed proxy. Unless otherwise directed in the proxy, the proxyholders will vote the shares represented by the proxy: (i) for the election of the six (6) director nominees named in this Proxy Statement; (ii) for the advisory approval of the appointment of Friedman LLP as the Milestone Scientific's independent auditors for the fiscal year ending December 31, 2018; and (iii) in the proxyholders' discretion, on any other business that may come before the meeting and any adjournments thereof.

All votes will be tabulated by the Inspector of Elections appointed for the Annual Meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes. Under the Milestone Scientific's bylaws and Delaware law: (1) shares represented by proxies that reflect abstentions or "broker non-votes" (i.e., shares held by a broker or nominee that are represented at the Annual Meeting, but with respect to which such broker or nominee is not empowered to vote on a particular proposal) will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum; (2) there is no cumulative voting, and the director nominees receiving the highest number of votes, up to the number of directors to be elected, are elected and, accordingly, abstentions, broker non-votes and withholding of authority to vote will not affect the election of directors; and (3) proxies that reflect abstentions and broker non-votes will be treated as unvoted for purposes of determining approval of that proposal and will not be counted as votes for or against that proposal.

Voting Requirements

Election of Directors. The election of the director nominees will require a plurality of the votes cast on the matter at the Annual Meeting. With respect to the election of directors, votes may be cast in favor of or withheld with respect to each nominee. Votes that are withheld will be excluded entirely from the vote and will have no effect on the outcome of the vote.

Advisory approval of the appointment of independent auditors. The affirmative vote of a majority of the votes cast on the matter by stockholders entitled to vote at the Annual Meeting is required to approve this matter. An abstention will be treated as “present” for quorum purposes. Abstention's will have the same effect as an against vote on the matter.

Revocability of Proxy

A proxy may be revoked by the stockholder giving the proxy at any time before it is voted by delivering oral or written notice to the Corporate Secretary of Milestone Scientific at or prior to the Annual Meeting, and a prior proxy is automatically revoked by a stockholder giving a subsequent proxy or attending and voting at the Annual Meeting. Attendance at the Annual Meeting in and of itself does not revoke a prior proxy.

Expenses of Solicitation

Milestone Scientific will pay the expenses of the preparation of proxy materials and the solicitation of proxies for the Annual Meeting. In addition to the solicitation of proxies by mail, solicitation may be made by certain directors, officers or employees of Milestone Scientific telephonically, electronically or by other means of communication. Milestone Scientific will reimburse brokers and other nominees for costs incurred by them in mailing proxy materials to beneficial owners in accordance with applicable rules.

PROPOSAL 1

ELECTION OF DIRECTORS

(Item 1 on the Proxy Card)

The Board currently consists of six directors: Leslie Bernhard, Leonard A. Osser, Leonard M. Schiller, Gian Domenico Trombetta, Edward J. Zelnick, M.D, and Michael McGeehan. Directors are elected for a term of one year and until the next Annual Meeting of Stockholders and until their successors are duly elected and qualified. The Nominating Committee (described below), with the concurrence of the Board, has nominated the present directors for re-election to the Board at the Annual Meeting.

It is intended that votes pursuant to the enclosed proxy will be cast for the election of the nominees named below. In the event that any such nominee should become unable or unwilling to serve as a director, the proxy will be voted for the election of such person, if any, as shall be designated by the Board. Management has no reason to believe that any of these nominees will not be available to serve as a director if re-elected.

The following table sets forth the names and ages of each nominee, the positions and the period during which each has served as a director of Milestone Scientific. Information as to the stock ownership of each nominee is set forth under "Security Ownership of Certain Beneficial Owners and Management." All of the director nominees have been approved and nominated by the Nominating Committee (described below), with the concurrence of the Board, for re-election to the Board.

The names, ages and titles of our directors and nominees, as of the Record Date, are as follows:

NAME	AGE	POSITION	DIRECTOR SINCE
Leslie Bernhard (1) (2) (3)	73	Chairman of the Board and Director	2003
Leonard Osser	70	Interim Chief Executive Officer and Director	1991
Leonard M. Schiller (1) (2) (3)	77	Director	1997
Gian Domenico Trombetta	57	Director	2014
Edward J. Zelnick, M.D. (1) (2) (3)	72	Director	2015
Michael McGeehan (1)	52	Director	2017

1. Member of the Audit Committee
2. Member of the Compensation Committee
3. Member of the Nominating and Corporate Governance Committee

Recommendation of the Board

The Board recommends that the stockholders vote “FOR” the election of all the nominees as directors.

The principal occupations and brief summaries of the backgrounds, as of the Record Date, of the directors and nominees are as follows**:**

Leslie Bernhard, Chairman of the Board

Leslie Bernhard has served as Milestone Scientific’s Chairman of the Board since October 2009 and served as Interim Chief Executive Officer from October 2017 to December 19, 2017. In addition, Ms. Bernhard has also had been serving as an Independent Director (as defined below) of Milestone Scientific since May 2003. Since 2007, Ms. Bernhard has also been serving as an independent director of Universal Power Group, Inc., a global supplier of power solutions. In 1986 she co-founded AdStar, Inc., an electronic ad intake service to the newspaper industry, and served as its president, chief executive officer and executive director until 2012. Ms. Bernhard holds a BS Degree in Education from St. John’s University. Ms. Bernhard’s professional experience and background with AdStar and with us, as one of our directors since 2003, have given her the expertise needed to serve as Chairman of the Board, and Chairman of the Audit Committee.

Leonard Osser, Interim Chief Executive Officer and Director

Leonard Osser has been Interim Chief Executive Officer since December 2017. From July 2017 to December 2017, he had been Managing Director –China Operations. Prior to that, he served as Milestone Scientific's Chairman from 1991 until September of 2009, and during that time, from 1991 until 2007, was also Chief Executive Officer of Milestone Scientific. In September 2009, he resigned as Chairman of Milestone Scientific, but remained a director, and assumed the position of Chief Executive Officer. From 1980 until the consummation of Milestone Scientific's public offering in November 1995, Mr. Osser was primarily engaged as the principal owner and Chief Executive Officer of U.S. Asian Consulting Group, Inc., a New Jersey-based provider of consulting services specializing in distressed or turnaround situations in both the public and private markets. Mr. Osser's knowledge of our business and background with us since 1980 provides the Board with valuable leadership skills and insight into our business and accordingly, the expertise needed to serve as one of our directors.

Gian Domenico Trombetta, Director

Gian Domenico Trombetta has been a director of Milestone Scientific in May 2014 and the President and Chief Executive Officer of Milestone Scientific's Dental Division (Wand Dental Inc.) since October 2014. He founded Innovest S.p.A in 1993, a special situation firm acting in development and distressed capital investments. He has been its President and Chief Executive Officer since its inception. He served as the Chief Executive Officer or a board member of several private commercial companies in different industries including both industrial (e.g. IT, media, web, and fashion) and holding companies. Before founding Innovest, Mr. Trombetta was Project Manager for Booz Allen & Hamilton Inc., a management consulting firm from 1988 to 1992. Mr. Trombetta holds a degree in business administration from the Luiss University in Rome, Italy and a MBA degree from INSEAD-Fontainbleau-France. Mr. Trombetta business background and experience has given him the expertise needed to serve as one of our directors.

Leonard M. Schiller, Director

Leonard Schiller has been a director of Milestone Scientific since April 1997. Mr. Schiller has been a partner in the Chicago law firm of Schiller Strauss & Lavin PC since 1977 and since 2002, its President. Mr. Schiller also serves as a director on the boards of Jerrick Media Holdings, Inc. (OTCQB: JMDA), a public media company, since February 2016 and Point Capital, Inc. (OTCQB: PTCI), a business development company, since July 2014. Mr. Schiller's professional experience and background have given him the expertise needed to serve as Chairman of the Compensation Committee and as one of our directors.

Edward J. Zelnick, M.D., Director

Edward J. Zelnick, M.D. has been a director of Milestone Scientific since February 2015. Dr. Zelnick has been a medical doctor for over 45 years and has a background in clinical research. Since June 2002 he has been the chief executive officer of Horizon Institute for Clinical Research, a company that recruits test subjects and clinicians for clinical research trials. Dr. Zelnick received a Bachelor of Science degree in chemistry from the University of Pittsburgh in 1966 and his M.D. degree from New York Medical College in 1970. Dr. Zelnick's professional experience and background as a medical doctor and in clinical research, have given him the expertise needed to serve as one of our directors.

Michael McGeehan

Michael McGeehan has been a director of Milestone Scientific since October 2017. Mr. McGeehan is a business consultant with 30 years of experience in a variety of business domains, including financial services, medical and healthcare products, consumer package goods and the software technology industry. Mr. McGeehan started his career at Metaphor Computer Systems in 1988 and then went to work at Microsoft Corporation in 1991. In 1995, Mr. McGeehan left Microsoft and founded Forefront Information Strategies, an information technology consulting firm. In 2002, Mr. McGeehan returned to Microsoft where he worked until 2017, when he returned to and re-started Forefront. Mr. McGeehan was on the Board of Directors of Wand Dental Inc., (subsidiary of Milestone Scientific) a maker of a painless, anesthetic injection system for dentists. Mr. McGeehan has a Master's in Business Administration from Pace University and a Bachelor of Science in Electrical Engineering and Computer Science from Marquette University. Mr. McGeehan background has given him the experience needed to serve as one of our directors.

Board Leadership Structure

The Board believes that the segregation of the roles of Board Chairman and the Chief Executive Officer ensures better overall governance of the Company and provides meaningful checks and balances regarding its overall performance. This structure allows our Chief Executive Officer to focus on developing and implementing the Company's business plans and supervising the Company's day-to-day business operations and allows our Chairman to lead the Board in its oversight and advisory roles. Because of the many responsibilities of the Board and the significant time and effort required by each of the Chairman and the Chief Executive Officer to perform their respective duties, the Company believes and having separate persons in these roles enhances the ability of each to discharge those duties effectively and enhances the Company's prospects for success. The Board also believes that having separate positions provides a clear delineation of responsibilities for each position and fosters greater accountability of management. For the foregoing reasons, the Board had determined that its leadership structure is appropriate and in the best interest of stockholders.

The Board's Oversight of Risk Management

The Board recognizes that companies face a variety of risks, including credit risk, liquidity risk, strategic risk, and operational risk. The Board believes an effective risk management system will (1) timely identify the material risks that we face; (2) communicate necessary information with respect to material risks to senior executives and, as appropriate, to the Board or relevant Board committee; (3) implement appropriate and responsive risk management strategies consistent with the Company's risk profile; and (4) integrate risk management into Company decision-making. The Board encourages, and management promotes a corporate culture that incorporates risk management into the Company's corporate strategy and day-to-day business operations. The Board also continually works, with the input of management and executive officers, to assess and analyze the most likely areas of future risk for the Company.

Committees of the Board

The Board has standing audit, compensation and nominating committees (respectively, the "Audit Committee," the "Compensation Committee," and the "Nominating Committee.")

Attendance at Committee and Board Meetings

In 2017, the Board held a total of 10 meetings; the Audit Committee held a total of four meetings, the Compensation Committee held a total of two meetings; and the Nominating Committee held one meeting. Each of our directors attended at least 75% of the Board meetings and all of the meetings of the committees of the Board on which he or she served. It is our policy to invite and encourage all of the directors to attend the Annual Meeting. All of our directors attended our annual meeting of stockholders in 2017.

Compensation Committee

The Compensation Committee reviews and recommends to the Board the compensation and benefits of all officers of the Company, reviews general policy matters relating to compensation and benefits of employees of the Company and administers the issuance of stock options to the Company’s officers, employees, directors and consultants. The Compensation Committee is comprised of three members, Leslie Bernhard, Leonard M. Schiller and Dr. Edward Zelnick. A copy of the Compensation Committee Charter has been posted on our website at www.milestonescientific.com.

Audit Committee

The Audit Committee meets with management and the Company's independent accountants to determine the adequacy of internal controls and other financial reporting matters. The Audit Committee's purpose is to: (A) assist the Board in its oversight of: (i) the integrity of our financial statements; (ii) our compliance with legal and regulatory requirements; (iii) our independent auditors' qualifications and independence; (iv) the performance of our internal audit function and independent auditors to decide whether to appoint, retain or terminate our independent auditors; and (v) the preparation of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "Annual Report"); and (B) to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors. The members of the Audit Committee are comprised of Leslie Bernhard, Leonard M. Schiller, Edward J. Zelnick, M.D and Michael McGeehan., all of whom are independent as defined in the listing standards of the NYSE MKT and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). A copy of the Audit Committee Charter has been posted on our website at www.milestonescientific.com.

Audit Committee Financial Expert

The Board has determined that Leslie Bernhard is an "audit committee financial expert," as that term is defined in Item 407(d)(5) of Regulation S-K, and "independent" for purposes of the listing standards of the NYSE MKT and Section 10A(m)(3) of the Exchange Act.

Nominating Committee

The Nominating Committee identifies potential director nominees and evaluates their suitability to serve on the Board. Based on its evaluation, it recommends to the Board the director nominees for Board membership. In addition, the Nominating Committee also regularly evaluates each existing Board member's suitability for continued service as a director. The members of the Nominating Committee are Leonard M. Schiller, Leslie Bernhard and Edward J. Zelnick, M.D. A copy of the Nominating Committee Charter has been posted on our website at www.milestonescientific.com.

The Nominating Committee believes that the minimum qualifications for service as a director of the Company are that a nominee possess an ability, as demonstrated by recognized success in his or her field, to make meaningful contributions to the Board's oversight of the business and affairs of the Company and an impeccable reputation of integrity and competence in his or her personal or professional activities. The Nominating Committee's criteria for evaluating potential candidates include the following: an understanding of the Company's business environment; and the possession of such knowledge, skills, expertise and diversity of experience so as to enhance the Board's ability to manage and direct the affairs and business of the Company including, when applicable, to enhance the ability of committees of the Board to fulfill their duties and/or satisfy any independence requirements imposed by law, regulation or listing requirements.

The Nominating Committee considers director candidates recommended by stockholders. In considering candidates submitted by stockholders, the committee will take into consideration the needs of the Board and the qualifications of the candidate. The Nominating Committee may also take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held. To have a candidate considered by the Nominating Committee, a stockholder must submit the recommendation in writing and must include the following information: the name of the stockholder and evidence of the person's ownership of Company stock, including the number of shares owned and the length of time of ownership; the name of the candidate, the candidate's resume or a listing of his or her qualifications to be a director of the Company; and, the person's consent to be named as a director if selected by the Nominating Committee and nominated by the Board.

The Nominating Committee may also receive suggestions from current Board members, the Company's executive officers or other sources, which may be either unsolicited or in response to requests from the Nominating Committee for such candidates. The Nominating Committee also, from time to time, may engage firms that specialize in identifying director candidates.

Once a person has been identified by the Nominating Committee as a potential candidate, it may collect and review publicly available information regarding the person to assess whether the person should be considered further. If the Nominating Committee determines that the candidate warrants further consideration, the chairman or another member of the Nominating Committee may contact the person. Generally, if the person expresses a willingness to be considered and to serve on the Board, the Nominating Committee may request information from the candidate, review the person's accomplishments and qualifications and may conduct one or more interviews with the candidate. The Nominating Committee may consider all such information in light of information regarding any other candidates that it might be evaluating for membership on the Board. In certain instances, Nominating Committee members may contact one or more references provided by the candidate or may contact other members of the business community or other persons that may have greater first-hand knowledge of the candidate's accomplishments. The Nominating Committee's evaluation process does not vary based on whether or not a candidate is recommended by a stockholder, although, as stated above, the Board may take into consideration the number of shares held by the recommending stockholder and the length of time that such shares have been held.

Director Independence

The Board has determined that of Leslie Bernhard, Leonard M. Schiller, Edward J. Zelnick, M.D and Michael McGeehan., (the "Independent Directors"), are independent as that term is defined in the listing standards of the NYSE MKT. In determining director independence, the Board also considered any and all equity awards, if any, to the Independent Directors for the year ended December 31, 2017, disclosed in "Director Compensation" below, and determined that such awards were compensation for services rendered to the Board and therefore did not impact their ability to continue to serve as Independent Directors.

Stockholder Communication with the Board

The Board has established a process to receive communications from stockholders. Stockholders and other interested parties may contact any member (or all members) of the Board, or the non-management directors as a group, any Board committee or any chair of any such committee by mail or electronically. To communicate with the Board, any individual director or any group or committee of directors, correspondence should be addressed to the Board or any such individual directors or group or committee of directors by either name or title. All such correspondence should be sent “c/o Corporate Secretary” at 220 South Orange Avenue, Livingston, NJ 07039. All communications received as set forth in the preceding paragraph will be opened by the Corporate Secretary of the Company for the sole purpose of determining whether the contents represent a message to our directors. Any contents that are not in the nature of advertising, promotions of a product or service, patently offensive material or matters deemed inappropriate for the Board will be forwarded promptly to the addressee. In the case of communications to the Board or any group or committee of directors, the Company’s Corporate Secretary will make sufficient copies of the contents to send to each director who is a member of the group or committee to which the envelope or e-mail is addressed.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table, together with the accompanying footnotes, sets forth information, as of April 2, 2018, regarding stock ownership of all persons known by Milestone Scientific to own beneficially more than 5% of Milestone Scientific’s outstanding common stock, Named Executives, all directors, and all directors and officers of Milestone Scientific as a group:

Names of Beneficial Owner (1)	Shares of Common Stock Beneficially Owned (2)		Percentage of Ownership
Executive Officers and Directors			
Leonard Osser	4,183,921	(3)	12.08%
Joseph D'Agostino	1,550,679	(4)	4.48%
Leslie Bernhard	75,000	(5)	*
Leonard Schiller	235,158	(6)	*
Edward J. Zelnick, M.D.	28,750	(7)	*
Michael McGeehan	1,000	(8)	*
Gian Domenico Trombetta	6,262,768	(9)	18.09%
All directors & executive officers as group (6 persons)	12,361,276	(10)	35.70%
K. Tucker Andersen	3,292,003		9.51%
Tom Cheng	1,712,599		4.95%
Debra Ginsberg	1,695,000	(11)	4.90%

* Less than 1%

1. The addresses of the persons named in this table are as follows: Leonard Osser, Joseph D'Agostino, Gian Domenico Trombetta, Leslie Bernhard and Edward Zelnick, M.D. are at 220 South Orange Avenue in, New Jersey 07039; Leonard M. Schiller, c/o Schiller, Klein & McElroy, P.C., 33 North Dearborn Street, Suite 1030, Chicago, Illinois 60602; K. Tucker Andersen, c/o Above All Advisors, 61 Above All Road, Warren, CT 06754, Tom Cheng, c/o United Systems 18725 E. Gale Ave Suite 221, City of Industry, CA 91748 and Debra Ginsberg, 5 Bay Ridge Road Key Largo, FL 33037.

2. A person is deemed to be a beneficial owner of securities that can be acquired by such person within 60 days from April 2, 2018, as applicable, upon the exercise of options and warrants or conversion of convertible securities. Each beneficial owner's percentage ownership is determined by assuming that options, warrants and convertible securities that are held by such person (but not held by any other person) and that are exercisable or convertible within 60 days from April 2, 2018 have been exercised or converted. Except as otherwise indicated, and subject to applicable community property and similar laws, each of the persons named has sole voting and investment power with respect to the shares shown as beneficially owned. The percentages for each beneficial owner are determined based on dividing the number of shares of common stock beneficially owned by the sum of the outstanding shares of common stock on April 2, 2018 and the number of shares underlying options exercisable and convertible securities convertible within 60 days from April 2, 2018 held by the beneficial owner

3. Includes 2,283,706 shares held by Mr. Osser or his family, 1,055,350 shares to be issued at the termination of his employment agreement, and 844,865 shares subject to common stock options.

4. Includes 931,137 shares held by Mr. D'Agostino, 234,371 shares to be issued at the termination of his employment, and 385,171 shares subject to common stock options.

5. Includes 75,000 shares held by Ms. Bernhard.

6. Includes 229,533 shares held by Mr. Schiller and 5,625 shares subject to common stock warrants.

7. Includes 25,000 shares held by Dr. Zelnick and 3,750 shares subject to common stock warrants.

8. Includes 1,000 shares held by Mr. McGeehan

9. Includes 202,617 shares to be issued at the termination of his employment, 106,565 shares subject to common stock options and 5,953,586 shares held directly by BP4 S.r.l. ("BP4") of which 2,953,586 shares are issuable upon the conversion of $7 million of preferred stock at $2.37 per share, as adjusted to date. Innovest S.p.A. ("Innovest") is the controlling shareholder of BP4 and Mr. Trombetta is a controlling shareholder and director of Innovest, and, as such, is deemed to have voting and investment power over the securities held by BP4. Mr. Trombetta disclaims beneficial ownership of all securities held by BP4.

10. Includes an aggregate of 1,279,301 shares of common stock underlying outstanding options, 1,193,990 shares of common stock issuable upon termination of employment and 2,953,586 shares of common stock issuable upon the conversion of $7 million of preferred stock at $2.37 per share.

11. The information with respect to their 5% shareholder has been derived from form 13G submitted by the owner of shares to the SEC on March 20, 2018, reporting beneficial ownership as of December 31, 2017.

Securities Authorized for Issuance under Equity Compensation Plans

Equity Compensation Plan Information

The following table summarizes, as of December 31, 2017, the (i) options granted under the Milestone Scientific 2004 Stock Option Plan (the “2004 Plan”) and (ii) options granted under the Milestone Scientific 2011 Equity Compensation Plan (f/k/a Milestone Scientific 2011 Stock Option Plan) (the “2011 Plan”). The shares covered by outstanding options and warrants are subject to adjustment for changes in capitalization, stock splits, stock dividends and similar events. No other equity compensation has been issued.

Equity compensation plan approved by stockholders	Number of Securities to be issued upon exercise of outstanding options and warrants	Weighted average exercise price of options and warrants	Number of securities remaining available for future issuance under equity compensation plan
Grants under our 2004 Stock Option Plan (1)	$73,333	1.49	-
Grants under our 2011 Stock Option Plan (2)	$1,912,002	1.73	1,001,889
Total	**$1,985,335**		**1,001,889**

1. The 2004 Plan, as amended, provided for awards of options up to a maximum 750,000 shares of Milestone Scientific's common stock and expired in July 2014. Options were granted to employees, officers, directors and consultants of Milestone Scientific for the purchase of common stock of Milestone Scientific at a price not less than the fair market value of the common stock on the date of the grant. In general, options awarded under the 2004 Plan became exercisable over a three-year period from the grant date and expire five years after the date of grant. No options were exercised in 2017 or 2016.

2.

The 2011 Plan, as amended, provides for awards of restricted common stock and options to purchase up to a maximum 4,000,000 shares of common stock and expires in June 2021. Options may be granted to employees, directors and consultants of Milestone Scientific for the purchase of shares of common stock at a price not less than the fair market value of common stock on the date of grant. In general, options become exercisable over a three-year period from the grant date and expire five years after the date of grant. For the year ended December 31, 2017, 83,333 shares were exercised.

EXECUTIVE OFFICERS

The following table sets forth the names, ages and principal positions of the executive officers of the Company and two key employees as of the Record Date.

Name	Age	Title
EXECUTIVE OFFICERS		
Leonard A. Osser	70	Interim Chief Executive Officer and Director
Joseph D'Agostino	66	Chief Financial Officer and Chief Operating Officer
Gian Domenico Trombetta	57	President and Chief Executive Officer of Milestone’s Dental Division (Wand Dental Inc.)
KEY EMPLOYEES		
Eugene Casagrande, D.D.S.	72	Director of Professional Relations
Mark Hochman, D.D.S.	58	Director of Clinical Affairs

The principal occupation and business experience, for at least the last five years, for each executive officer and key employees, respectively, is set forth below (except for Messrs. Osser and Trombetta whose business experiences are discussed above). There are no family relationships among any of our directors or executive officers.

Joseph D’Agostino, Chief Financial Officer and Chief Operating Officer

Joseph D'Agostino has been Milestone Scientific's Chief Financial Officer since October 2008 and Chief Operating Officer since September 2011. Mr. D'Agostino joined Milestone Scientific in January 2008 as Acting CFO and has over 25 years of finance and accounting experience serving both publicly and privately held companies. A results-oriented and decisive leader, he has specific proven expertise in treasury and cash management, strategic planning, information technology, internal controls, Sarbanes-Oxley compliance,operations and financial and tax accounting. Mr. D'Agostino served as Senior Vice President and Treasurer of Summit Global Logistics, a publicly traded, full service international freight forwarder and customs broker with operations in the United States and China. Previous executive posts also included Executive Vice President and CFO of Haynes Security, Inc., a leading electronic and manned security solutions company serving government agencies and commercial enterprises Executive Vice President of Finance and Administration for Casio, Inc., the U.S. subsidiary of Casio Computer Co., Ltd., a leading manufacturer of consumer electronics with subsidiaries throughout the world and Manager of Accounting and Auditing for Main Hurdman's National Office in New York City (merged into KPMG). Mr. D'Agostino is a Certified Public Accountant and holds memberships in the American Institute of CPA's, New Jersey Society of CPA's, Financial Executive Institute, He is a graduate of William Paterson University where he earned a Bachelor of Arts degree in Science.

Mark Hochman, D.D.S., Director of Clinical Affairs

Mark Hochman, D.D.S. has served as Milestone Scientific's Director of Clinical Affairs and Director of Research and Development since 1999. He has a Doctor of Dental Surgery with advanced training in the specialties of Periodontics and Orthodontics from New York University of Dentistry and has been practicing dentistry since 1984. He is a former clinical associate professor at NYU School of Dental Surgery. Recognized as a world authority on Advanced Drug Delivery Instruments, Dr. Hochman has published numerous articles in this area, and shares in the responsibility for inventing much of the technology currently available from Milestone Scientific.

Dr. Eugene Casagrande, Director of International & Professional Relations

Since 1998, Eugene Casagrande, D.D.S. has served as Director of International and Professional Relations, charged with pursuing a broad range of clinical and industry-related strategic business opportunities for Milestone Scientific. Dr. Eugene R. Casagrande has practiced Cosmetic and Restorative Dentistry for over 30 years in Los Angeles. He is past president of the California State Board of Dentistry and the Los Angeles Dental Society and is a Fellow of the American and International Colleges of Dentists. Dr. Casagrande was a member of the faculty of the University of Southern California, School of Dentistry. He was also the Executive Director of the Los Angeles Oral Health Foundation and the Program Director of the Los Angeles Pediatric Oral Health Access Program. As the Director of International & Professional Relations for Milestone Scientific for over 19 years, he has published multiple articles and has lectured both nationally and internationally at over 100 dental schools and in over 50 countries on Computer-Controlled Local Anesthesia.

COMPENSATION OF DIRECTORS AND OFFICERS AND RELATED MATTERS

Executive Compensation

SUMMARY COMPENSATION TABLE

Name and Principal Position	**Year**	**Salary**	**Bonuses**	**Option Awards (2)**	**Other Compensation**	**Total**
Leslie Bernhard Interim Chief Executive Officer-Former	2017	$50,000	$29,500	-	-	$79,500
Daniel Goldberger (3) Chief Executive Officer-Former	2017	$68,750			$ 178,600	$247,350
Leonard A. Osser (1) (2) Interim Chief Executive Officer and Managing Director of Asian Operations	2017	$205,000	$350,000	$336,970	$ 227,311	$1,119,281
	2016	$300,000	$400,000	$422,019	$ 238,030	$1,360,049
Gian Domenico Trombetta (1) (2) Chief Executive Officer -Wand Dental Inc	2017	$280,000	$180,000	-	-	$460,000
	2016	$279,999	$160,000	$221,743	-	$661,742
Joseph D'Agostino (1) (2) Chief Financial Officer	2017	$178,700	$90,000	$86,650	$ 27,027	$382,377

2016	$171,600	$80,000	$222,344	$ 35,144	$509,088

1. Leonard Osser received $350,000, and $400,000 in a performance bonus for the years ended December 31, 2017 and 2016, respectively, of which $175,000 in 2017 and $200,000 in 2016, were deferred and will be paid in common stock upon the termination of his employment with Milestone Scientific in accordance with the terms of his employment agreement. In accordance with Mr. Osser's employment agreement, one half of his annual bonus is paid in cash and one half in common stock. On July 10, 2017, Mr. Osser resigned from his positions of Chief Executive Officer. Other compensation represents payments made for health insurance coverage $4,900 and car allowance $7,200, pension payment $203,111. Upon his resignation, Mr., Osser served as Managing Director of Asian Operations, Mr. Osser received $55,000 in compensation and $12,100 in other compensation which is included in this schedule.

Gian Domenico Trombetta received $180,000, and $160,000 in a performance bonus for the years ended December 31, 2017 and 2016, respectively, of which $90,000 in 2017 and $80,000 in 2016, were deferred and will be paid in common stock upon the termination of his employment with Milestone Scientific in accordance with the terms of his employment agreement. In accordance with Mr. Trombetta employment agreement, one half of his annual bonus is paid in cash and one half in common stock. Mr. Trombetta elected not to receive the stock option coverage for his 2017 bonus award.

Joseph D'Agostino received $90,000, and $80,000 in a performance bonus for the years ended December 31, 2017 and 2016, respectively, of which $45,000 in 2017 and $40,000 in 2016, were deferred and will be paid in common stock upon the termination of his employment with Milestone Scientific in accordance with the terms of his employment agreement. In accordance with Mr. D'Agostino's employment agreement, one half of his annual bonus is paid in cash and one half in common stock. Other compensation represents payments made for health insurance coverage $18,027 and car allowance $9,000.

2. The amounts in this column reflect the fair value of the options on the date of grant. For details used in the assumption calculating the fair value of the option reward, see Note C to the Financial Statements for the years ended December 31, 2017 and 2016, which is located on pages F-9 through F-13 of this Report. Compensation cost is generally recognized over the vesting period of the award. See the table on page 46 entitled Outstanding Equity Awards at December 31, 2017.

3. On October 2, 2017, Milestone Scientific accepted the resignation of the then CEO, Daniel Goldberger. Included in other compensation is $175,000 for severance per the agreement with Mr. Goldberger dated February 2018 and $3,600 related to health insurance and car allowance.

Employment Contracts

In July 2017, Milestone Scientific entered into a three-year employment agreement with Daniel Goldberger to serve as President and Chief Executive Officer of Milestone Scientific. Under the agreement, Mr. Goldberger would receive base compensation of $300,000 per annum and may additionally earn annual bonuses of up to an aggregate of $400,000, payable one half in cash and one half in Milestone Scientific common stock ("Bonus Shares") contingent upon achieving performance benchmarks periodically set for each year by the compensation committee of the Board. In addition to any such shares of common stock, Mr. Goldberger was entitled to receive stock options ("Bonus Options") to acquire twice the number of any Bonus Shares earned, pursuant to a non-qualified stock option grant agreement under Milestone Scientific's then existing equity compensation plan. The Bonus Options had a five-year term and were to vest in equal annual installments on each of the first, second and third anniversary of the grant date, subject to continued employment on such vesting date and accelerated vesting upon the occurrence of certain events. The exercise price of the Bonus Options was based on the fair market value of per share of common stock on the date of grant.

In July 2017, Milestone Scientific entered into a ten-year new employment agreement with Leonard Osser, who previously served as the Company's President and Chief Executive Officer, to serve as Managing Director – China Operations. This new agreement provides for annual compensation of $300,000 consisting of $100,000 in cash and $200,000 in the Company's common stock valued at the average closing price of the Company's common stock on the NYSE or such other market or exchange on which its shares are then traded during the first fifteen (15) trading days of the last full calendar month of each year during the term of this agreement. This agreement supersedes all prior employment agreements between Mr. Osser and Milestone Scientific. If the Company terminates Mr. Osser's employment "Without Cause," other than due to his death or disability, or if Mr. Osser terminates his employment for

"Good Reason" (both as defined in the agreement), Mr. Osser is entitled to be paid in one lump sum payment as soon as practicable following such termination: an amount equal to the aggregate present value (as determined in accordance with Section 280G(d)(4) of the Code) of all compensation pursuant to this agreement from the effective date of termination hereunder through the remainder of the Employment Term.

In July 2017, Mr. Osser also resigned from his positions of Chairman of the Board, Chief Executive Office and President of Milestone Medical. Upon his resignation, Milestone Medical entered in a consulting agreement with U.S. Asian Consulting Group LLC, an entity controlled by Mr. Osser, pursuant to which he will provide specific services to Milestone Medical for a ten- year term. Pursuant to the consulting agreement, U.S. Asian Consulting Group, LLC, is entitled to receive $100,000 per year for Mr. Osser's services.

In July 2017, Milestone Scientific granted to Mr. Goldberger non-qualified stock options to purchase 921,942 shares of common stock at an exercise price of $2.00 per share. Those options had a five-year term and were to vest in equal annual installments on each of the first, second and third anniversaries of the grant date, subject to his continued employment on the vesting date and accelerated vesting upon the occurrence of certain events.

On October 5, 2017, Milestone Scientific Inc. announced that Daniel Goldberger had resigned as President and Chief Executive Officer effective October 2, 2017, upon which the previously described stock options granted to him in July 2017 terminated prior to vesting.

On October 5, 2017, Milestone Scientific also announced the appointment of Leslie Bernhard, the Company's current Chairman of the Board, as the Company's Interim Chief Executive Officer, to serve in such role until the appointment of a new Chief Executive Officer. In connection with her appointment to serve as the Company's Interim Chief Executive Officer, Ms. Bernhard was paid an annual salary of $200,000 received a one-time bonus of 100,000 shares of the Company's Common Stock. In addition, at the completion of her service as Interim Chief Executive Officer, Ms. Bernhard shall be entitled to receive a cash bonus in an amount to be determined by the Board of Directors at that time. On December 19, 2017 the Board of Directors appointed Leonard Osser Interim Chief Executive Officer, replacing Leslie Bernhard. Ms. Bernhard negotiated a one-time bonus of 25,000 shares of Milestone Scientific stock for her services as Interim Chief Executive Officer in-lieu of 100,000 shares. On December 19, 2017 the Board of Directors appointed Leonard Osser Interim Chief Executive Officer, replacing Leslie Bernhard. Mr. Osser will enter into a similar employment contract that he received during 2017 before he resigned his position as CEO of the company. Mr. Osser placed on hold his position as Managing Director-China Operations and his consulting agreement with Milestone Medical to rejoined Milestone Scientific Inc. as Interim Chief Executive Officer.

Objective of Executive Compensation Program

The primary objective of the executive compensation program is to attract and retain qualified, energetic managers who are enthusiastic about the mission and culture of Milestone Scientific. A further objective of the compensation program is to provide incentives and reward each manager for their contribution. In addition, Milestone Scientific strives to promote an ownership mentality among key leadership and the Board of Directors.

The Compensation Committee reviews and approves, or in some cases recommends for the approval of the full Board of Directors, the annual compensation procedures for the Named Executive Officers.

The compensation program is designed to reward teamwork, as well as each manager's individual contribution. In measuring the Named Executive Officers' contribution, the Compensation Committee considers numerous factors including the growth, strategic business relationships and financial performance. Regarding most compensation matters, including executive and director compensation, the management provides recommendations to the Compensation Committee however, the Compensation Committee does not delegate any of its functions to others in setting compensation. Milestone Scientific does not currently engage any consultant to advice on executive and/or director compensation matters.

Stock price performance has not been a factor in determining annual compensation because the price of Milestone Scientific's common stock is subject to a variety of factors outside of Milestone Scientific's control. Milestone Scientific does not have an exact formula for allocating between cash and non-cash compensation.

Annual CEO Compensation consists of a base salary component and periodic stock option grants. It is the Compensation Committee's intention to set totals for the CEO for cash compensation sufficiently high enough to attract and retain a strong motivated leadership team, but not so high that it creates a negative perception with the other stakeholders. The CEO receives stock option grants under the stock option plan. The number of stock options granted to the executive officer is made on a discretionary rather than a formula basis by the Compensation Committee. The CEO's current and prior compensation is considered in setting future compensation. In addition, Milestone Scientific reviews the compensation practices of 28 other companies. To some extent, the compensation plan is based on the market and the companies that compete for executive management. The elements of the plan (e.g., base salary, bonus and stock options) are like the elements used by many companies. The exact base pay, stock option grant, and bonus amounts are chosen to balance the competing objectives of fairness to all stakeholders and attracting and retaining executive managers.

Outstanding Equity Awards at December 31, 2017

The following table includes certain information with respect to all unexercised stock options and unvested shares of common stock of Milestone Scientific outstanding owned by the Named Executive Officers at December 31, 2017.

Name	Option Award				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not vested (#) (2)	Market Value of Number of Shares or Units of Stock that have not vested (#) (3)
Leonard Osser	73,333	-	$ 1.49	11/20/2019	886,866	$1,031,762
	248,448	-	$ 1.65	12/31/2018		
	185,186	-	$ 2.23	11/20/2019		
	44,699	12,607	$ 3.89	6/23/2020		
	46,105	36,883	$ 1.72	2/4/2021		
	95,238	76,191	$ 2.09	11/10/2021		
	20,497	41,615	$ 1.72	2/4/2021		
	112,323	224,647	$ 1.14	1/18/2022		
Total	**825,829**	**391,943**			**886,866**	**1,031,762**
Gian Domenico Trombetta	73,767	59,013	$ 1.72	2/4/2021	116,079	$240,066
	32,798	66,580	$ 1.61	1/8/2022		
Total	**106,565**	**125,593**			**116,079**	**240,066**
Joseph D'Agostino	66,666	**-**	$ 1.50	12/31/2018		
	150,000	-	$ 2.09	11/11/2019	191,046	$361,378
	49,261	-	$ 2.03	11/20/2019		
	73,967	59,173	$ 1.72	2/4/2021		
	16,397	33,292	$ 1.61	1/8/2022		
	28,883	57,767	$ 1.04	1/18/2022		
Total	**385,174**	**150,232**			**191,046**	**$361,378**

1. Represents stock option grants at fair market value on the date of grant.

2. Issuance of the shares of common stock has been deferred until the termination of his employment with Milestone Scientific in accordance with the terms of his respective employment arrangement.

3. Based on the closing price per share of $1.18 as reported on the NYSE American on December 31, 2017.

Director Compensation

NAME	Fees Earned or Paid in Cash ($)	Bonus Paid in Stock	Total ($)
Leslie Bernhard (1)	$38,500	$96,000	$134,500
Leonard Schiller	$36,000	$66,500	$102,500
Edward J. Zelnick, M.D.	$36,000	$26,600	$62,600
Michael McGeehan	$9,000	$-	$9,000

1. Includes $8,500 July thru December 2017 compensation for serving as Chairman of the Audit Committee.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers and directors, and person who own more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. Officers, directors and greater than ten-percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based solely on review of the copies of such forms furnish to us, or written representations that no Forms 5 were required, we believe that all Section 16(a) filing requirements applicable to our officers and director were complied with during the fiscal year ended December 31, 2017.

Certain Relationships and Related Transactions and Director Independence.

In 2016, Milestone Scientific entered a three-year consulting agreement with K. Tucker Anderson to provide business and strategic services to Milestone Scientific. The fee for these services are $100,000 per year which is paid in shares of common stock on a quarterly basis, valued at the closing price per share of common stock on the last trading day of each quarter.

Milestone Scientific has a manufacturing agreement with United Systems (whose controlling shareholder, Tom Cheng, is a significant stockholder of Milestone), the principal manufacturers of its handpieces, pursuant to which it manufactures products under specific purchase orders, but without minimum purchase commitments. Milestone Scientific purchased $2,146,108 and $3,025,249 for the twelve months ended December 31, 2017 and 2016, respectively. Milestone Scientific owed $985,678 and $1,235,052 to this manufacturer as of December 31, 2017 and 2016, respectively

Milestone Scientific had $2,071,000 of related party sales of handpieces and devices to Milestone China and Milestone China's agent for the twelve months ended December 31, 2017. Milestone Scientific had $3,425,000 of related party sales of handpieces and devices to Milestone China for the twelve months ended December 31, 2016. As of December 31, 2017, and 2016, Milestone Scientific recorded deferred revenues of $1,725,450 and $1,001,800, respectively, and deferred costs of $1,109,611 and $620,041, respectively, associated with sales to Milestone China. As of December 31, 2017, and 2016, Milestone China's agent owed $1,725,450 and $2,714,600, respectively, to Milestone Scientific which is included in related party accounts receivable on the condensed consolidated balance sheets.

In August 2016, a stockholder of Milestone Scientific entered a three-year agreement with Milestone Scientific to provide financial and business strategic services. Expenses recognized on this agreement were $100,000 for each of the twelve months ended December 31, 2017 and 2016.

In January 2017, Milestone Scientific entered into a 12-month agreement with Innovest S.p.A. to provide consulting services. This agreement will renew for successive 12-month terms unless terminated by Innovest S.p.A or Milestone Scientific. Expenses recognized on this agreement were $80,000 for the twelve months ended December 31, 2017. This agreement is expected to continue into 2018.

AUDIT COMMITTEE REPORT

The Audit Committee's purpose is to assist the Board in its oversight of (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) our independent auditors' qualifications and independence, and (iv) the performance of our internal audit function and independent auditors to decide whether to appoint, retain or terminate our independent auditors, and to pre-approve all audit, audit-related and other services, if any, to be provided by the independent auditors; and to prepare this Report.

Management is responsible for the preparation, presentation and integrity of our financial statements, accounting and financial reporting principles and the establishment and effectiveness of internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for performing an independent audit of the financial statements in accordance with generally accepted auditing standards. The independent auditors have free access to the Audit Committee to discuss any matters they deem appropriate.

The Audit Committee reviewed our audited financial statements for the year ended December 31, 2017 and met with management to discuss such audited financial statements. The Audit Committee has discussed with our independent accountants, Friedman LLP, the matters required to be discussed by the Statement on Auditing Standards No. 16, as adopted by the Public Company Accounting Oversight Board. The Audit Committee has received the written disclosures and the letter from Friedman LLP required by the Independence Standards Board Standard No. 1, as may be modified or supplemented. The Audit Committee has discussed with Friedman LLP its independence from Milestone Scientific and its management. Friedman LLP had full and free access to the Audit Committee. Based on its review and discussions, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report.

Submitted by the Audit Committee

Leslie Bernhard

Leonard Schiller

Edward J. Zelnick, M.D.

Michael McGeehan

PROPOSAL 2

ADVISORY APPROVAL OF THE APPOINTMENT OF INDEPENDENT AUDITORS

(Item 2 on the Proxy Card)

Friedman LLP has been our independent auditor since July 2016. Their audit report appears in the Annual Report. A representative of Friedman LLP will be at the Annual Meeting and will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

Selection of the independent accountants is not required to be submitted to a vote of our stockholders for ratification. In addition, the Sarbanes-Oxley Act of 2002 requires the Audit Committee to be directly responsible for the appointment, compensation and oversight of the audit work of the independent auditors. The Audit Committee expects to appoint Friedman LLP to serve as independent auditors to conduct an audit of Milestone Scientific's accounts for the 2018 fiscal year. However, the Board is submitting this matter to Milestone Scientific's stockholders as a matter of good corporate practice. If the stockholders fail to vote on an advisory basis in favor of the selection, the Audit Committee will take that into consideration when deciding whether to retain Friedman LLP and may retain that firm or another without re-submitting the matter to the stockholders. Even if stockholders vote on an advisory basis in favor of the appointment, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of Milestone Scientific and the stockholders.

Recommendation of the Board

The Board recommends that the stockholders vote "FOR" advisory approval of the appointment of the independent auditor.

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Principal Accountant Fees and Services

Effective July 18, 2016, our Audit Committee engaged Friedman LLP ("Friedman") to replace Baker Tilly Virchow Krause, LLP ("Baker Tilly") as our principal accounting firm. The aggregate fees billed by our principal accounting firms for the years ended December 31, 2017 and 2016 are as follows:

Audit fees*	2017	2016
Audit Fees and Audit Related fees	$244,300	$291,500
Tax Fees	13,854	30,000

Total Fees	$258,154	$321,500

* Includes fees for professional services rendered for the audit of our annual financial statements and the review of financial statements included in our report on Form 10-Qs or services that are reasonably related to the performance of the audit or normally provided in connection with statutory and regulatory filings.

(1) The audit fees in 2016 includes $180,000 of fees billed by Friedman and $111,500 of fees billed by Baker Tilly.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee charter provides that the Audit Committee will pre-approve audit services and non-audit services to be provided by the independent auditors before the accountant is engaged to render these services. The Audit Committee may consult with management in the decision-making process but may not delegate this authority to management. The Audit Committee may delegate its authority to preapprove services to one or more committee members, provided that the designees present the pre-approvals to the full committee at the next committee meeting. All audit and non-audit services performed by the independent accountants have been pre-approved by the Audit Committee to assure that such services do not impair the auditors' independence from us.

OTHER BUSINESS

As of the date of this Proxy Statement, we know of no other business that will be presented for consideration at the Annual Meeting other than the items referred to above. If any other matter is properly brought before the Annual Meeting for action by stockholders, the persons designated as proxies will vote all shares in accordance with the recommendation of the Board or, in the absence of such a recommendation, in accordance with their best judgment.

ADDITIONAL INFORMATION

Householding

The SEC's rules permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement and annual report addressed to those stockholders. This process, which is commonly referred to as "householding," potentially provides extra convenience for stockholders and cost savings for companies. Some brokers household proxy materials and annual reports, delivering a single proxy statement and annual report to multiple stockholders sharing an address, although each stockholder will receive a separate proxy card. Once you have received notice from your broker that they will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If at any time you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker. If you would like to receive a separate copy of this year's Proxy Statement or Annual Report, please address your request for delivery of the Proxy Statement and/or Annual Report to Joseph D'Agostino, Chief Financial Officer, Milestone Scientific Inc., 220 South Orange Avenue in Livingston, New Jersey 07039.

Requirements, Including Deadlines, for Submission of Proxy Proposals, Nomination of Directors and Other Business of Stockholders

Stockholders interested in presenting a proposal or nominating a person for election as a director for consideration at the annual meeting of stockholders in 2019 (the “2019 Meeting”) must follow the procedures found in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in the Company’s proxy materials for the 2019 Meeting, the stockholder must give the Company written notice of the proposal and/or director nominee which must be received by our Corporate Secretary no later than December 20, 2018. A stockholder who wishes to make a proposal at the next annual meeting of stockholders without including the proposal in our proxy statement must notify us not less than thirty (30) days and not more than sixty (60) days prior to the scheduled annual meeting, regardless of any postponements, deferrals or adjournments of that meeting to a later date; provided, however, that if less than forty (40) days’ notice or prior public disclosure of the date of the scheduled annual meeting is given or made, notice by the stockholder, to be timely, must be so delivered or received not later than the close of business on the tenth (10th) day following the earlier of the day on which such notice of the date of the scheduled annual meeting was mailed or the day on which such public disclosure was made. If a stockholder fails to give notice by this date, then the persons named as proxies in the proxies solicited by us for the next annual meeting of stockholders will have discretionary authority to vote on the proposal. Stockholder proposals should be addressed to the Corporate Secretary, Milestone Scientific Inc., 220 South Orange Avenue in Livingston, New Jersey 07039.

EVERY STOCKHOLDER, WHETHER OR NOT HE OR SHE EXPECTS TO ATTEND THE ANNUAL MEETING IN PERSON, IS URGED TO EXECUTE THE PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED BUSINESS REPLY ENVELOPE.

Electronic Availability of Proxy Statement and Annual Report

As permitted by SEC rules, we are making this Proxy Statement and our Annual Report available to stockholders electronically via the Internet on the Company’s website at www.proxyvote.com. On or about April 19, 2018, will begin mailing to our stockholders a notice containing instructions on how to access this proxy statement and our annual report and how to vote online. If you received this notice, you will not receive a printed copy of the proxy materials unless you requested it by following the instructions for requesting such materials contained on the notice or set forth in the following paragraph.

If you received a paper copy of this Proxy Statement by mail and you wish to receive a notice of availability of next year’s proxy statement either in paper form or electronically via e-mail, you can elect to receive a paper notice of availability by mail or an e-mail message that will provide a link to these documents on our website. By opting to receive the notice of availability and accessing your proxy materials online, you will save the Company the cost of producing and mailing documents to you reduce the amount of mail you receive and help preserve environmental resources. Registered stockholders may elect to receive electronic proxy and annual report access or a paper notice of availability for future annual meetings by registering online at www.proxyvote.com. If you received electronic or paper notice of availability of these proxy materials and wish to receive paper delivery of a full set of future proxy materials, you may do so at the same location. Beneficial or “street name” stockholders who wish to elect one of these options may also do so at www.proxyvote.com. Please enter your 12-digit control number located on the proxy card or notice.

We will provide without charge to each person being solicited by this Proxy Statement, on the written request of any such person, a copy of the Annual Report including the financial statements and financial statement schedules included therein. All such requests should be directed to Joseph D’Agostino, Chief Financial Officer, Milestone Scientific Inc., 220 South Orange Avenue, Livingston, New Jersey 07039.

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Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting of Stockholders

to be held on May 30, 2018:

The Proxy Statement and Annual Report are available at www.proxyvote.com.

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By order of the Board of Directors

Leslie Bernhard

Chairman of the Board

Livingston, New Jersey

April 19, 2018

APPENDIX A

APPENDIX B

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115,603

OPERATING INCOME

3,272

9,787

OTHER (INCOME) EXPENSE:

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Interest expense	43	57
Interest income	(295)	(490)
Other income, net	(559)	(716)

Total other income, net	(811)	(1,149)
Income from continuing operations before provision for income taxes and non-controlling interests	4,083	10,936

Provision for income taxes	1,240	3,676
(Income) loss attributable to non-controlling interests	216	(299)
INCOME FROM CONTINUING OPERATIONS	3,059	6,961

DISCONTINUED OPERATIONS:	
Income from operations of discontinued restaurants	-
	26
Provision for income taxes	-

9

INCOME FROM DISCONTINUED OPERATIONS

-

17

NET INCOME

$

3,059

$

6,978

PER SHARE INFORMATION - BASIC AND DILUTED:

Income from continuing operations

$

0.88

$

1.94

Discontinued operations

-

-

BASIC

$

0.88

$

1.94

Income from continuing operations	$	0.87	$	1.93
Discontinued operations		-		-

DILUTED

$

0.87

$

1.93

WEIGHTED AVERAGE NUMBER OF SHARES - BASIC

3,494

3,594

WEIGHTED AVERAGE NUMBER OF SHARES - DILUTED

3,506

3,608

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended	
	October 3, 2009	September 27, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 3,059	$ 6,978
Adjustments to reconcile net income to net cash provided by operating activities:		
Deferred income taxes	(905)	451
Stock-based compensation	433	312
Depreciation and amortization	3,619	3,091
Equity in loss of affiliate	166	127
Loss on disposal of discontinued operations	-	19
Impairment loss on goodwill related to discontinued operations	-	294
Income (loss) attributable to non-controlling interests	(216)	299
Operating lease deferred credit	222	(76)
Changes in operating assets and liabilities:		
Accounts receivable	831	(205)
Related party receivables	377	437
Inventories	9	(146)
Prepaid expenses and other current assets	(66)	270
Other assets	(12)	(512)
Accounts payable - trade	(293)	430
Accrued expenses and other current liabilities	724	(191)
Accrued income taxes	(168)	(312)
Net cash provided by continuing operating activities	7,780	11,266
Net cash provided by (used in) discontinued operating activities	(73)	56
Net cash provided by operating activities	7,707	11,322
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(3,817)	(8,080)
Proceeds from sale of discontinued operations	-	1,030
Loans and advances made to employees	(518)	(77)
Payments received on employee receivables	215	112
Purchases of investment securities	(10,992)	(14,645)
Proceeds from sales of investment securities	12,121	14,500
Payments received on long-term receivables	121	114
Net cash used in continuing investing activities	(2,870)	(7,046)
Net cash provided by discontinued investing activities	-	153
Net cash used in investing activities	(2,870)	(6,893)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on note payable	(194)	(180)
Dividends paid	(1,556)	(6,331)
Purchase of treasury stock	(500)	(1,209)
Payments received on stock option receivable	48	42
Capital contributions from non-controlling interests	-	2,500

Distributions to non-controlling interest		(161)		(282)
Net cash used in financing activities		(2,363)		(5,460)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,474		(1,031)
CASH AND CASH EQUIVALENTS, Beginning of year		2,978		4,009
CASH AND CASH EQUIVALENTS, End of year	$	5,452	$	2,978
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid during the year for:				
Interest	$	43	$	57
Income taxes	$	2,295	$	3,557
Non-cash investing activity:				
Investment in unconsolidated affiliates	$	-	$	298
Non-cash financing activity:				
Accrued dividends on common stock	$	3,490	$	-

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHODLERS EQUITY
YEARS ENDED SEPTEMBER 27, 2008 AND OCTOBER 3, 2009
(In Thousands)

	Common Stock		Additional	Accumulated Other		Stock		Total
	Shares	Amount	Paid-In Capital	Comprehensive Income (Loss)	Retained Earnings	Option Receivable	Treasury Stock	Shareholders Equity
BALANCE - September 29, 2007	5,667	$ 57	$ 21,756	$ 49	$ 24,780	$ (166)	$ (8,386)	$ 38,090
Stock-based compensation	-	-	312	-	-	-	-	312
Payment of dividends - $1.76 per share	-	-	-	-	(6,331)	-	-	(6,331)
Unrealized loss on available-for-sale securities	-	-	-	(79)	-	-	-	(79)
Repayments on stock option receivable	-	-	-	-	-	42	-	42
Purchases of treasury stock	-	-	-	-	-	-	(1,209)	(1,209)
Net income	-	-	-	-	6,978	-	-	6,978
BALANCE - September 27, 2008	5,667	57	22,068	(30)	25,427	(124)	(9,595)	37,803
Stock-based compensation	-	-	433	-	-	-	-	433
Payment of dividends - $1.44 per share	-	-	-	-	(5,046)	-	-	(5,046)
Unrealized gain on available-for-sale securities	-	-	-	1	-	-	-	1
Repayments on stock option receivable	-	-	-	-	-	48	-	48
Purchases of treasury stock	-	-	-	-	-	-	(500)	(500)
Net income	-	-	-	-	3,059	-	-	3,059
BALANCE - October 3, 2009	5,667	$ 57	$ 22,501	$ (29)	$ 23,440	$ (76)	$ (10,095)	$ 35,798

See notes to consolidated financial statements.

ARK RESTAURANTS CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ark Restaurants Corp. and Subsidiaries (the Company) owns and operates 20 restaurants and bars, 30 fast food concepts and catering operations. Seven restaurants are located in New York City, four are located in Washington, D.C., five are located in Las Vegas, Nevada, two are located in Atlantic City, New Jersey, one is located at the Foxwoods Resort Casino in Ledyard, Connecticut and one is located in Boston, Massachusetts. The Las Vegas operations include three restaurants within the New York-New York Hotel & Casino Resort and operation of the hotel s room service, banquet facilities, employee dining room and nine food court concepts; one bar within the Venetian Casino Resort as well as three food court concepts; and one restaurant within the Planet Hollywood Resort and Casino. In Atlantic City, New Jersey, the Company operates a restaurant and a bar in the Resorts Atlantic City Hotel and Casino. The operations at the Foxwoods Resort Casino include one fast food concept and six fast food concepts at the MGM Grand Casino. In Boston, Massachusetts, the Company operates a restaurant in the Faneuil Hall Marketplace. The Florida operations under management include five fast food facilities in Tampa, Florida and seven fast food facilities in Hollywood, Florida, each at a Hard Rock Hotel and Casino.

Basis of Presentation The accompanying consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and accounting principles generally accepted in the United States of America (GAAP). The Company s reporting currency is the United States dollar.

FASB Accounting Standards Codification The issuance by the FASB of the Accounting Standards Codification™ (the Codification) on July 1, 2009 (effective for interim or annual reporting periods ending after September 15, 2009), changes the way that GAAP is referenced. Beginning on that date, the Codification officially became the single source of authoritative nongovernmental GAAP; however, SEC registrants must also consider rules, regulations, and interpretive guidance issued by the SEC or its staff. The change affects the way the Company refers to GAAP in financial statements and in its accounting policies. All existing standards that were used to create the Codification became superseded. Instead, references to standards consist solely of the number used in the Codification s structural organization.

Subsequent Events In May 2009, the FASB issued ASC Topic 855: Subsequent Events (ASC855), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The Company has considered subsequent events for recognition or disclosure through January 4, 2010, the date of this filing, in preparing the consolidated financial statements and notes thereto.

Accounting Period The Company s fiscal year ends on the Saturday nearest September 30. The fiscal year ended October 3, 2009 included 53 weeks and the fiscal year ended September 27, 2008 included 52 weeks.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The accounting estimates that require management s most difficult and subjective judgments include allowances for potential bad debts on receivables, inventories, the useful lives and recoverability of its assets, such as property and intangibles, fair values of financial instruments and share-based compensation, the realizable value of its tax assets and other matters. Because of the uncertainty in such estimates, actual results may differ from these estimates.

Principles of Consolidation The consolidated financial statements include the accounts of Ark Restaurants Corp. and all of its wholly owned subsidiaries, partnerships and other entities in which it has a controlling interest. All significant intercompany balances and transactions have been eliminated in consolidation.

Non-Controlling Interests Non-controlling interests represent capital contributions, income and loss attributable to the shareholders of less than wholly-owned and consolidated partnerships.

Fair Value of Financial Instruments The carrying amount of cash and cash equivalents, investments, receivables, accounts payable, and accrued expenses approximate fair value due to the immediate or short-term maturity of these financial instruments. The fair value of notes payable is determined using current applicable rates for similar instruments as of the balance sheet date and approximates the carrying value of such debt.

Reclassifications Certain reclassifications of prior year balances have been made to conform to the current year presentation. In connection with the planned or actual sale or closure of various restaurants, the operations of these businesses have been presented as discontinued operations in the consolidated financial statements. Accordingly, the Company has reclassified its statements of operations and cash flow data for the prior periods presented. These dispositions are discussed below in Recent Restaurant Dispositions.

Cash and Cash Equivalents Cash and cash equivalents, which primarily consist of money market funds, are stated at cost, which approximates fair value. For financial statement presentation purposes, the Company considers all highly liquid investments having original maturities of three months or less to be cash equivalents. Outstanding checks in excess of account balances, typically vendor payments, payroll and other contractual obligations disbursed after the last day of a reporting period are reported as a current liability in the accompanying consolidated balance sheets.

Available-For-Sale Securities Available-for-sale securities consist primarily of United States Treasury Bills and Notes, all of which have a high degree of liquidity and are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income. The cost of investments in available-for-sale securities is determined on a specific identification basis. Realized gains or losses and declines in value judged to be other than temporary, if any, are reported in other income, net. The Company evaluates its investments periodically for possible impairment and reviews factors such as the length of time and extent to which fair value has been below cost basis and the Company s ability and intent to hold the investment for a period of time which may be sufficient for anticipated recovery in market value.

Concentrations of Credit Risk Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company reduces credit risk by placing its cash and cash equivalents with major financial institutions with high credit ratings. At times, such amounts may exceed Federally insured limits. As of October 3, 2009, the Company had cash and cash equivalent balances, primarily consisting of cash deposit accounts, which exceeded the Federal Deposit Insurance Corporation limitation for coverage by approximately $4,500,000.

For the year ended October 3, 2009, the Company made purchases from one vendor that accounted for approximately 16% of total purchases. For the year ended September 27, 2008, the Company made purchases from two vendors that accounted for approximately 22% of total purchases.

Accounts Receivable Accounts receivable is primarily composed of normal business receivables such as credit card receivables that are paid off in a short period of time and amounts due from our managed outlets and hotel charges, and are recorded when the products or services have been delivered. We review the collectability of our receivables on an ongoing basis, and provide for an allowance when we consider the entity unable to meet its obligation.

Inventories Inventories are stated at the lower of cost (first-in, first-out) or market, and consist of food and beverages, merchandise for sale and other supplies.

Revenue Recognition The Company-owned restaurant sales are composed almost entirely of food and beverage sales. The Company records revenue at the time of the purchase of products by customers.

Management fees, which are included in Revenues Other Income, are related to the Company s managed restaurants that are not consolidated and are based on either gross restaurant sales or cash flow. The Company recognizes management fee income in the period sales are made or cash flow is generated.

The Company offers customers the opportunity to purchase gift certificates. At the time of purchase by the customer, the Company records a gift certificate liability for the face value of the certificate purchased. The Company recognizes the revenue and reduces the gift certificate liability when the certificate is redeemed. The Company does not reduce its recorded liability for potential non-use of purchased gift cards.

Additionally, the Company presents sales tax on a net basis in its consolidated financial statements.

Fixed Assets Leasehold improvements and furniture, fixtures and equipment are stated at cost. Depreciation of furniture, fixtures and equipment is computed using the straight-line method over the estimated useful lives of the respective assets (three to seven years). Amortization of improvements to leased properties is computed using the straight-line method based upon the initial term of the applicable lease or the estimated useful life of the improvements, whichever is less, and ranges from 5 to 30 years. For leases with renewal periods at the Company s option, if failure to exercise a renewal option imposes an economic penalty to the Company, management may determine at the inception of the lease that renewal is reasonably assured and include the renewal option period in the determination of appropriate estimated useful lives.

The Company includes in construction in progress improvements in restaurants that are under construction. Once the projects have been completed, the Company begins depreciating and amortizing the assets. Start-up costs incurred during the construction period of restaurants, including rental of premises, training and payroll, are expensed as incurred.

Intangible Assets Costs associated with acquiring leases and subleases, principally purchased leasehold rights, have been capitalized and are being amortized on the straight-line method based upon the initial terms of the applicable lease agreements, which range from 9 to 20 years. Covenants not to compete arising from restaurant acquisitions are amortized over the contractual period, typically five years.

Amortization expense for intangible assets was $17,000 and $18,000 for fiscal years ended 2009 and 2008, respectively.

Long-lived Assets Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the evaluation of the fair value and future benefits of long-lived assets, the Company performs an analysis of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the carrying value is reduced to its fair value. Various factors including estimated future sales growth and estimated profit margins are included in this analysis. Management believes at this time that carrying values and useful lives continue to be appropriate. For the years ended October 3, 2009 and September 27, 2008, no impairment charges were deemed necessary.

Goodwill and Trademarks Goodwill is recorded when the purchase price paid for an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Trademarks, which were acquired in connection with the Durgin Park acquisition, are considered to have an indefinite life and are not being amortized. Goodwill and certain intangible assets are assessed for impairment using fair value measurement techniques. Specifically, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of the reporting unit (the Company is being treated as one reporting unit) with its net book value (or carrying amount), including goodwill. If the fair value of the reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired and the second step of the impairment test is unnecessary. If the carrying amount of the reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit s goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit s goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit. The impairment test for other intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess.

Determining the fair value of the reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of the reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. To assist in the process of determining goodwill impairment, the Company performs internal valuation analyses and considers other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions including projected future cash flows (including timing), a discount rate reflecting the risk inherent in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables. Based on the above policy, no impairment charges were necessary in fiscal 2009 and approximately $294,000 of goodwill impairment expense was recorded during fiscal year 2008 in connection with restaurant dispositions.

Leases The Company recognizes rent expense on a straight-line basis over the expected lease term, including option periods as described below. Within the provisions of certain leases there are escalations in payments over the base lease term, as well as renewal periods. The effects of the escalations have been reflected in rent expense on a straight-line basis over the expected lease term, which includes option periods when it is deemed to be reasonably assured that the Company would incur an economic penalty for not exercising the option. Percentage rent expense is generally based upon sales levels and is expensed as incurred. Certain leases include both base rent and percentage rent. The Company records rent expense on these leases based upon reasonably assured sales levels. The consolidated financial statements reflect the same lease terms for amortizing leasehold improvements as were used in calculating straight-line rent expense for each restaurant. The judgments of the Company may produce materially different amounts of amortization and rent expense than would be reported if different lease terms were used.

Operating Lease Deferred Credit Several of the Company s operating leases contain predetermined increases in the rentals payable during the term of such leases. For these leases, the aggregate rental expense over the lease term is recognized on a straight-line basis over the lease term. The excess of the expense charged to operations in any year and amounts payable under the leases during that year are recorded as deferred credits that reverse over the lease term.

Occupancy Expenses Occupancy expenses include rent, rent taxes, real estate taxes, insurance and utility costs.

Defined Contribution Plans The Company offers a defined contribution savings plan (the Plan) to all of its full-time employees. Eligible employees may contribute pre-tax amounts to the Plan subject to the Internal Revenue Code limitations. Company contributions to the Plan are at the discretion of the Board of Directors. During the years ended October 3, 2009 and September 27, 2008, the Company did not make any contributions to the Plan.

Income Taxes Income taxes are accounted for under the asset and liability method as prescribed by ASC Topic 740: Income Taxes (ASC 740). Deferred tax assets and liabilities are recognized for future tax consequences attributable to the temporary differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC 740 also prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as well as providing guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted the provisions of ASC 740 relating to uncertain tax positions, during the first fiscal quarter of 2008 and it had no impact on our consolidated financial position, results of operation or cash flows, nor did the Company have any related interest or penalties. As a result of the implementation, the Company recognized no material adjustment to the liability for unrecognized income tax benefits that existed as of September 29, 2007. It is the Company s policy to recognize interest and penalties related to uncertain tax positions as a component of income tax expense.

Non-controlling interests relating to the income or loss of consolidated partnerships includes no provision for income taxes as any tax liability related thereto is the responsibility of the individual minority investors.

Income Per Share of Common Stock Basic net income per share is computed in accordance with ASC Topic 260: Earnings Per Share (ASC 260), and is calculated on the basis of the weighted average number of common shares outstanding during each period. Diluted net income per share reflects the additional dilutive effect of potentially dilutive shares (principally those arising from the assumed exercise of stock options).

Share-based Compensation Effective October 2, 2005, the Company adopted ASC Topic 718: Compensation Stock Compensation (ASC 718) and began expensing the grant-date fair value of employee stock options using the modified prospective transition method. Under the modified prospective transition method, non-cash compensation expense is recognized under the fair value method for the portion of outstanding equity-based awards granted prior to the adoption of ASC 718 for which service has not been rendered, and for any equity-based awards granted or modified after adoption. Accordingly, periods prior to adoption have not been restated. Prior to the adoption of ASC 718, the Company accounted for equity-based compensation using the intrinsic value method. Accordingly, prior to October 2, 2005, no compensation expense had been recognized for employee stock options, as options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. Upon adoption of ASC 718, the Company elected to value employee stock options using the Black-Scholes option valuation method that uses assumptions that relate to the expected volatility of the Company s common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate.

The Company uses the alternative transition method for calculating the tax effects of share-based compensation. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of ASC 718.

During fiscal 2009, options to purchase 176,600 shares of common stock were granted at an exercise price of $12.04 per share and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. Such options had an aggregate grant date fair value of approximately $624,000. The Company did not grant any options during the fiscal year 2008. The Company generally issues new shares upon the exercise of employee stock options.

The fair value of each of the Company s stock options is estimated on the date of grant using a Black-Scholes option-pricing model that uses assumptions that relate to the expected volatility of the Company s common stock, the expected dividend yield of our stock, the expected life of the options and the risk free interest rate. The assumptions used for the 2009 grant include a risk free interest rate of 3.29%, volatility of 42.7%, a dividend yield of 4.27% and an expected life of 5.75 years.

New Accounting Standards Adopted in Fiscal 2009 In September 2006, the FASB ASC Topic 820: Fair Value Measurements and Disclosures (ASC 820), which, among other requirements, defines fair value, establishes a framework for measuring fair value, and expands disclosures about the use of fair value to measure assets and liabilities. ASC 820 prescribes a single definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For financial instruments and certain nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis at least annually, ASC 820 is effective beginning the first fiscal year that begins after November 15, 2007, which corresponds to the Company s 2009 fiscal year. For all other nonfinancial assets and liabilities the effective date of ASC 820 has been delayed to the first fiscal year beginning after November 15, 2008, which corresponds to the Company s fiscal year beginning October 4, 2009. The Company adopted ASC 820 effective as of the beginning of fiscal 2009, and its application had no impact on the Company s consolidated financial statements.

In February 2007, the FASB issued ASC Topic 825: Financial Instruments (ASC 825), which allows companies to elect fair-value measurement when an eligible financial asset or financial liability is initially recognized or when an event, such as a business combination, triggers a new basis of accounting for that financial asset or financial liability. The election must be applied to individual contracts, is irrevocable for every contract chosen to be measured at fair value, and must be applied to an entire contract, not to only specified risks, specific cash flows, or portions of that contract. Changes in the fair value of contracts elected to be measured at fair value are recognized in earnings each reporting period. The Company adopted this accounting pronouncement in fiscal 2009 with no effect on the Company s consolidated financial statements as the Company did not use the fair-value measurement election for any eligible financial assets or financial liabilities.

In March 2008, the FASB issued ASC Topic 815: Derivatives and Hedging (ASC 815), which requires enhanced disclosures about an entity s derivative and hedging activities and thereby improves the transparency of financial reporting. The objective of the guidance is to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. The Company adopted this accounting pronouncement in fiscal 2009 and its application had no impact on the Company s consolidated financial statements.

In April 2009 the FASB issued a staff position (FSP) requiring disclosures about fair value in interim financial statements as well as in annual financial statements. This FSP applies to all financial instruments within the scope of ASC Topic 825: Financial Instruments (ASC 825) and requires all entities to disclose the methods and significant assumptions used to estimate the fair value of financial instruments. The related provisions of ASC 825 are effective for interim and annual periods ending after June 15, 2009 and do not require comparative disclosure for earlier periods presented upon initial adoption. The Company adopted this guidance during the third fiscal quarter of 2009, and its application had no impact on the Company s consolidated financial statements.

In June 2009, the FASB issued ASC Topic 855: Subsequent Events (ASC 855) which incorporates the subsequent events guidance contained in the auditing standards literature into authoritative accounting literature. It also requires entities to disclose the date through which they have evaluated subsequent events and whether the date corresponds with the release of their financial statements. ASC 855 is effective for all interim and annual periods ending after June 15, 2009. The Company adopted this accounting pronouncement in the third quarter of fiscal 2009 (see Note 1 - *Subsequent Events*).

New Accounting Standards Not Yet Adopted In December 2007, the FASB issued ASC Topic 805: Business Combinations (ASC 805), which establishes principles and requirements for the reporting entity in a business combination, including recognition and measurement in the financial statements of the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. This statement also establishes disclosure requirements to enable financial statement users to evaluate the nature and financial effects of the business combination. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. ASC 805 will become effective for our fiscal year beginning October 4, 2009.

In December 2007, the FASB issued ASC Topic 810: Consolidation (ASC 810), to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. This standard defines a non-controlling interest, previously referred to as minority interest, as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. ASC 810 requires, among other items, that a non-controlling interest be included in the consolidated balance sheet within equity separate from the parent s equity; consolidated net income to be reported at amounts inclusive of both the parent s and non-controlling interest s shares and, separately, the amounts of consolidated net income attributable to the parent and non-controlling interest all on the consolidated statement of income; and if a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary be measured at fair value and a gain or loss be recognized in net income based on such fair value. ASC 810 is effective for fiscal years beginning after December 15, 2008, which corresponds to the Company s fiscal year beginning October 4, 2009. The Company is currently evaluating the potential impact of adopting ASC 810 on its consolidated financial statements.

In April 2008, the FASB issued a staff position (FSP) that amends the list of factors an entity should consider in developing renewal or extension assumptions in determining the useful life of recognized intangible assets under ASC 350. The new guidance applies to (1) intangible assets that are acquired individually or with a group of other assets and (2) intangible assets acquired in both business combinations and asset acquisitions. Under this FSP, entities estimating the useful life of a recognized intangible asset must consider their historical experience in renewing or extending similar arrangements or, in the absence of historical experience, must consider assumptions that market participants would use about renewal or extension. This FSP is effective for fiscal years beginning after December 15, 2008, which corresponds to the Company s fiscal year beginning October 4, 2009. The Company is currently evaluating the impact that the adoption of this FSP may have on its consolidated financial statements and related disclosures.

In June 2009, the FASB issued a new accounting pronouncement, SFAS No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (to be included in ASC Topic 860: Transfers and Servicing, when codified), regarding transfers of financial assets which improves the relevance, representational faithfulness and comparability of the information that a reporting entity provides in its financial reports, including the effects of the transfer on an entity s financial position, financial performance and cash flows and the transferor s continuing involvement in transferred financial assets. This pronouncement is effective for the Company s fiscal year beginning October 3, 2010. The Company is currently evaluating the impact that the adoption of this pronouncement may have on its consolidated financial statements and related disclosures.

In June 2009, the FASB issued a new accounting pronouncement, SFAS No. 167, Amendments to FASB Interpretation No. 46(R) (to be included in ASC Topic 810: Consolidation, when codified), which amends the consolidation guidance applicable to variable interest entities and is effective as of the beginning of the first annual reporting period that begins after November 15, 2009, which corresponds to the Company s fiscal year beginning October 3, 2010. The Company is currently evaluating the impact that the adoption of this pronouncement may have on its consolidated financial statements and related disclosures.

2. RECENT RESTAURANT EXPANSION

In 2006, the Company entered into an agreement to lease space for a Mexican restaurant, *Yolos,* at the Planet Hollywood Resort and Casino (formerly known as the Aladdin Resort and Casino) in Las Vegas, Nevada. The obligation to pay rent for *Yolos* commenced when the restaurant opened for business in January 2008.

In June 2007, the Company entered into an agreement to design and lease a food court at the MGM Grand Casino at the Foxwoods Resort Casino which commenced operations during the third fiscal quarter of 2008. A limited liability company has been established to develop, construct, operate and manage the food court. The Company, through a wholly-owned subsidiary, is the managing member of this limited liability company and has an aggregate ownership interest in the food court operations of 67%. Such operations have been consolidated as of and for the fiscal year ended September 27, 2008.

In June 2008, the Company signed two successive one-year agreements to use certain deck space adjacent to the *Sequoia* location in New York City as a Café.

In June 2008, the Company entered into an agreement to design and lease a restaurant at The Museum of Arts & Design at Columbus Circle in New York City. The initial term of the lease for this facility will expire on December 31 sixteen years after the date the restaurant first opens for business to the public following its current refurbishment and will have two five-year renewals. This restaurant opened during the first quarter of fiscal 2010.

3. RECENT RESTAURANT DISPOSITIONS

During the first fiscal quarter of 2008, the Company discontinued the operation of our Columbus Bakery retail and wholesale bakery located in New York City. Columbus Bakery was originally intended to serve as the bakery that would provide all of our New York restaurants with baked goods as well as being a retail bakery operation. As a result of the sale and closure of several of our restaurants in New York City during the last several years, this bakery operation was no longer profitable. During the second fiscal quarter of 2008, the Company opened, along with certain third party investors, a new concept at this location called Pinch & S Mac which features pizza and macaroni and cheese. We contributed Columbus Bakery s net fixed assets and cash into this venture and received an ownership interest of 37.5%. These operations are not consolidated in the Company s consolidated financial statements.

Effective June 30, 2008, the lease for the Company s *Stage Deli* facility at the Forum Shops in Las Vegas, Nevada expired. The landlord for this facility offered to renew the lease at this location prior to its expiration at a significantly increased rent. The Company determined that it would not be able to operate this facility profitably at this location at the rent offered in the landlord s renewal proposal. As a result, the Company discontinued these operations during the third fiscal quarter of 2008 and took a charge for the impairment of goodwill of $294,000 and recorded a loss on disposal of $19,000. The impairment charge and disposal loss are included in discontinued operations. Operations for the fiscal year ended September 27, 2008 have been reclassified as discontinued operations.

The Company accounts for its closed restaurants in accordance with the provisions of ASC Topic 205: Discontinued Operations (ASC 205). Therefore, when the Company makes a decision to close a restaurant, the restaurant s operations are eliminated from the ongoing operations. Accordingly, the operations of such restaurants, net of applicable income taxes, are presented as discontinued operations and prior period operations of such restaurants, net of applicable income taxes, are reclassified. Discontinued operations consist of the following:

	Year Ended	
	October 3, 2009	**September 27, 2008**
	(In thousands)	
Revenues	$	$3,100
Income before income taxes	$	$ 26
Income from discontinued restaurants, net of taxes	$	$ 17

4. INVESTMENT SECURITIES

Effective September 28 2008, the Company adopted ASC 820 for assets and liabilities measured at fair value on a recurring basis. ASC 820 accomplishes the following key objectives:

Defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date;

Establishes a three-level hierarchy (Valuation Hierarchy) for fair value measurements;

Requires consideration of the Company s creditworthiness when valuing liabilities; and

Expands disclosures about instruments measured at fair value.

The Valuation Hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. A financial instrument s categorization within the Valuation Hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels of the Valuation Hierarchy and the distribution of the Company s financial assets within it are as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following available-for-sale securities are re-measured to fair value on a recurring basis and are valued at October 3, 2009, using Level 1 inputs and the market approach as defined by ASC 820:

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
		(In thousands)		
At October 3, 2009				
Available-for-sale short-term:				
Government debt securities	$ 8,168	$ -	$ (29)	$ 8,139
	$ 8,168	$ -	$ (29)	$ 8,139

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
		(In thousands)		
At September 27, 2008				
Available-for-sale short-term:				
Government debt securities	$ 8,897	$ -	$ (30)	$ 8,867
Corporate debt securities	400	-	-	400
	$ 9,297	$ -	$ (30)	$ 9,267

At October 3, 2009, all of the Company s government debt securities mature within fiscal year 2010.

5. LONG-TERM RECEIVABLES

In March 2005, the Company sold a restaurant for $1,300,000. Cash of $600,000 was included on the sale. Of the $600,000 cash, $200,000 was paid to the Company as a fee to manage the restaurant for four months prior to closure and the balance was paid directly to the landlord. The remaining $700,000 was received in the form of a note receivable, at an interest rate of 6%, in installments through June 2011. As of October 3, 2009, the Company was due $231,000, of this $102,000 was long-term and $129,000 was current.

The carrying value of the Company s long-term receivables approximates their current aggregate fair value.

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	October 3, 2009	September 27, 2008
	(In thousands)	

Purchased leasehold rights (a)	$	2,343	$	2,343
Noncompete agreements and other		322		322
		2,665		2,665
Less accumulated amortization		2,620		2,603
Total intangible assets	$	45	$	62

(a) Purchased leasehold rights arise from acquiring leases and subleases of various restaurants.

7. GOODWILL AND TRADEMARKS

Goodwill is the excess of cost over fair market value of tangible and intangible net assets acquired. Goodwill is not presently amortized but tested for impairment annually or when the facts or circumstances indicate a possible impairment of goodwill as a result of a continual decline in performance or as a result of fundamental changes in a market. Trademarks, which have indefinite lives, are not currently amortized and are tested for impairment annually or when facts or circumstances indicate a possible impairment as a result of a continual decline in performance or as a result of fundamental changes in a market. The changes in the carrying amount of goodwill and trademarks for the years ended October 3, 2009 and September 28, 2008 are as follows (in thousands):

	Goodwill	Trademarks	Total
Balance as of September 29, 2007	$ 5,107	$ 721	$ 5,828
Acquired during the year	-	-	-
Impairment losses	(294)	-	(294)
Balance as of September 27, 2008	4,813	721	5,534
Acquired during the year	-	-	-
Impairment losses	-	-	-
Balance as of October 3, 2009	$ 4,813	$ 721	$ 5,534

8. OTHER ASSETS

Other assets consist of the following:

	October 3, 2009	September 27, 2008
	(In thousands)	
Deposits and other	$ 416	$ 403
Investments in unconsolidated affiliates (a)	131	298
	$ 547	$ 701

(a) During the second fiscal quarter of 2008, we opened, along with certain third party investors, a new concept at our former Columbus Bakery location called Pinch & S Mac which features pizza and macaroni and cheese. We contributed Columbus Bakery s net fixed assets and cash into this venture and received an ownership interest of 37.5%. These operations are not consolidated in the Company s consolidated financial statements. Included in Other income, net for fiscal 2009 and 2008 are losses of approximately $166,000 and $127,000, respectively, related to this affiliate.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	October 3, 2009	September 27, 2008
	(In thousands)	
Sales tax payable	$ 808	$ 766
Accrued wages and payroll related costs	1,495	1,623
Customer advance deposits	1,269	1,586
Accrued and other liabilities	2,464	1,337
	$ 6,036	$ 5,312

10. COMMITMENTS AND CONTINGENCIES

Leases The Company leases its restaurants, bar facilities, and administrative headquarters through its subsidiaries under terms expiring at various dates through 2032. Most of the leases provide for the payment of base rents plus real estate taxes, insurance and other expenses and, in certain instances, for the payment of a percentage of the restaurants sales in excess of stipulated amounts at such facility.

As of October 3, 2009, future minimum lease payments under noncancelable leases are as follows:

Fiscal Year	Amount
	(In thousands)
2010	$ 7,347
2011	7,283
2012	6,515
2013	6,344
2014	5,771
Thereafter	22,352
Total minimum payments	$ 55,612

In connection with certain of the leases included in the table above, the Company obtained and delivered irrevocable letters of credit in the aggregate amount of $1,042,000 as security deposits under such leases.

Rent expense was approximately $12,927,000 and $13,235,000 during the fiscal years ended October 3, 2009 and September 27, 2008, respectively. Contingent rentals, included in rent expense, were approximately $3,956,000 and $4,931,000 for the fiscal years ended October 3, 2009 and September 27, 2008, respectively.

Legal Proceedings In the ordinary course of its business, the Company is a party to various lawsuits arising from accidents at its restaurants and worker s compensation claims, which are generally handled by the Company s insurance carriers. The employment by the Company of management personnel, waiters, waitresses and kitchen staff at a number of different restaurants has resulted in the institution, from time to time, of litigation alleging violation by the Company of employment discrimination laws. Included in Accrued Expenses and Other Current Liabilities is approximately $600,000 related to the settlement of various claims against the Company.

11. COMMON STOCK REPURCHASE PLAN

On March 25, 2008, the Board of Directors authorized a stock repurchase program under which up to 500,000 shares of the Company s common stock may be acquired in the open market over the two years following such authorization at the Company s discretion.

During the years ended October 3, 2009 and September 27, 2008, the Company purchased an aggregate of 42,000 and 64,954 shares at an average purchase price of 11.90 and $18.61, respectively in the open market pursuant to the stock repurchase program.

12. STOCK OPTIONS

The Company has options outstanding under two stock option plans, the 1996 Stock Option Plan (the 1996 Plan) and the 2004 Stock Option Plan (the 2004 Plan). In 2004 the Company terminated the 1996 Plan. This action terminated the 257,000 authorized but unissued options under the 1996 Plan but it did not affect any of the options previously issued under the 1996 Plan.

Options granted under the 1996 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire five years after the date of grant and are generally exercisable as to 25% of the shares commencing on the first anniversary of the date of grant and as to an additional 25% commencing on each of the second, third and fourth anniversaries of the grant date.

The 2004 Stock Option Plan, which was approved by shareholders, is the Company s only equity compensation plan currently in effect. Under the 2004 Stock Option Plan, 450,000 options were authorized for future grant. Options granted under the 2004 Plan are exercisable at prices at least equal to the fair market value of such stock on the dates the options were granted. The options expire ten years after the date of grant. During fiscal 2005, options to purchase 194,000 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. During fiscal 2007, options to purchase 105,000 shares of common stock were granted and are exercisable as to 25% of the shares commencing on the first anniversary of the date of grant and as to an additional 25% commencing on each of the second, third and fourth anniversaries of the grant date. During fiscal 2009, options to purchase 176,600 shares of common stock were granted and are exercisable as to 50% of the shares commencing on the first anniversary of the date of grant and as to an additional 50% commencing on the second anniversary of the date of grant. The following table summarizes stock option activity under all plans:

	2009			2008		
	Shares	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (in thousands)**	**Shares**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (in thousands)**
Outstanding, beginning of year	271,500	$ 30.59		271,500	$ 30.59	
Options:						
Granted	176,600	$ 12.04		-	-	
Exercised	-	-		-	-	
Canceled or expired	(26,000)	$ 30.09		-	-	
Outstanding, end of year (a)	422,100	$ 22.86	$ -	271,500	$ 30.59	$ -
Options exercisable (a)	245,500	$ 30.61	$ -	219,000	$ 30.21	$ -
Weighted average remaining contractual life - outstanding	7.5 Years			7.0 Years		
Shares available for future grant	400			151,000		

(a) Options become exercisable at various times expiring through 2016.

The following table summarizes information about stock options outstanding as of October 3, 2009 (shares in thousands):

	Options Outstanding			Options Exercisable		
Range of Exercise Prices	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining contractual life (in years)**	**Number of Shares**	**Weighted Average Exercise Price**	**Weighted Average Remaining contractual life (in years)**
$12.04	176,600	$ 12.04	9.6	-	$ -	-
$26.60	145,500	$ 26.60	7.2	145,500	$ 26.60	7.2
$32.15	100,000	$ 32.15	5.2	100,000	$ 32.15	5.2
	422,100	$ 22.86	7.5	245,500	$ 30.61	6.0

Compensation cost charged to operations for the fiscal years ended 2009 and 2008 for share-based compensation programs was approximately $433,000 and $312,000, before tax benefits of approximately $132,000 and $108,000, respectively. The compensation cost recognized is classified as a general and administrative expense in the consolidated statements of operations.

As of October 3, 2009, there was approximately $725,000 of unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a period of approximately two years.

13. MANAGEMENT FEE INCOME

The Company provides management services to two fast food courts and one fast food unit it does not consolidate. In accordance with the contractual arrangements, the Company earns management fees based on gross sales or cash flow as defined by the agreements. Management fee income, included in Revenues Other Income, relating to these services was approximately $1,952,000 and $2,368,000 for the years ended October 3, 2009 and September 27, 2008, respectively. Such amount for the year ended October 3, 2009 included approximately $758,000 for management fees and $1,194,000 for profit distributions. Such amount for the year ended September 27, 2008 included approximately $968,000 for management fees and $1,400,000 for profit distributions.

Receivables from managed restaurants, included in Related Party Receivables, were approximately $344,000 and $881,000 at October 3, 2009 and September 27, 2008, respectively. Such amount at October 3, 2009 included approximately $140,000 for management fees and $204,000 for expense advances. Such amount at September 27, 2008 included approximately $881,000 for expense advances.

Managed restaurants had sales of approximately $17,815,000 and $16,068,000 during the management periods within the years ended October 3, 2009 and September 27, 2008, which are not included in consolidated net sales of the Company.

14. INCOME TAXES

The provision for income taxes attributable to continuing and discontinued operations consists of the following:

	Year Ended	
	October 3, 2009	**September 27, 2008**
	(In thousands)	
Current provision:		
Federal	$ 1,602	$ 2,648
State and local	543	586
	2,145	3,234
Deferred provision (benefit):		
Federal	(818)	301
State and local	(87)	150
	(905)	451
	$ 1,240	$ 3,685

The effective tax rate differs from the U.S. income tax rate as follows:

	Years Ended	
	October 3, 2009	**September 27, 2008**
	(In thousands)	
Provision at Federal statutory rate (34% in 2009 and 35% in 2008)	$ 1,388	$ 3,837
State and local income taxes net of tax benefits	256	575
Tax credits	(436)	(541)
State and local net operating loss carryforward allowance adjustment	(13)	1
Income (loss) attributable to non-controlling interests	73	(105)
Other	(28)	(82)

	$ 1,240	$ 3,685

Deferred income taxes reflect the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting and tax purposes. Significant components of the Company s deferred tax assets and liabilities are as follows:

	October 3, 2009	September 27, 2008
	(In thousands)	
Long-term deferred tax assets (liabilities):		
Operating loss carryforwards	$ 2,088	$ 2,088
Operating lease deferred credits	1,374	1,420
Depreciation and amortization	748	301
Deferred compensation	852	753
Partnership investments	299	-
Pension withdrawal liability	32	61
Other	91	91
Total long-term deferred tax assets	5,484	4,714
Valuation allowance	(240)	(253)
Net long-term deferred tax assets	5,244	4,461
Deferred gains	(28)	(60)
Partnership investments	-	(89)
Total long-term deferred tax liabilities	(28)	(149)
Total net deferred tax assets	$ 5,216	$ 4,312

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. The deferred tax valuation allowance of $240,000 and 253,000 as of October 3, 2009 and September 27, 2008, respectively, was attributable to state and local net operating loss carryforwards.

As of October 3, 2009, the Company has approximately of $21,350,000 of state and local net operating loss carryforwards which expire at various times beginning in the year 2015 through 2028.

A reconciliation of the beginning and ending amount of unrecognized tax benefits as prescribed by ASC 740, excluding interest and penalties, is as follows:

	October 3, 2009	September 27, 2008
	(In thousands)	
Balance at beginning of year	$ 292	$ 315
Additions based on tax positions taken in current and prior years	70	-
Reductions due to settlements with taxing authorities	(153)	(23)
Reductions as a result of a lapse of the statute of limitations	-	-

Balance at end of year	$	209	$	292

The entire amount of unrecognized tax benefits if recognized would reduce our annual effective tax rate. As of October 3, 2009 and September 27, 2008, the Company accrued approximately $43,000 and $60,000 of interest and penalties, respectively. The Company does not expect its unrecognized tax benefits to change significantly over the next 12 months. Inherent uncertainties exist in estimates of tax contingencies due to changes in tax law, both legislated and concluded through the various jurisdictions tax court systems.

The Company files in the U.S. and various state and local income tax returns in jurisdictions with varying statutes of limitations. The 2005 through 2008 tax years generally remain subject to examination by Federal and most state and local tax authorities. An audit of the Company s tax return for the fiscal year ended September 30, 2006 was completed by the Internal Revenue Service during fiscal 2009 without a material adjustment to the Company s financial position or results of operations.

15. OTHER INCOME

Other income consists of the following:

	Year Ended	
	October 3, 2009	**September 27, 2008**
	(In thousands)	
Purchase service fees	$ 92	$ 74
Equity in loss of an unconsolidated affiliate	(166)	(127)
Other	633	769
	$ 559	$ 716

16. INCOME PER SHARE OF COMMON STOCK

A reconciliation of the numerators and denominators of the basic and diluted per share computations for the fiscal years ended October 3, 2009 and September 27, 2008 follows:

	Net Income (Numerator)	**Shares (Denominator)**	**Per-Share Amount**
	(In thousands, except per share amounts)		
Year ended October 3, 2009			
Basic EPS	$ 3,059	3,494	$ 0.88
Stock options	-	12	(0.01)
Diluted EPS	$ 3,059	3,506	$ 0.87
Year ended September 27, 2008			
Basic EPS	$ 6,978	3,594	$ 1.94
Stock options	-	14	(0.01)

Diluted EPS	$	6,978	3,608	$	1.93

Options to purchase 166,500 and 105,000 shares of common stock at exercises prices of $29.60 and $32.15 per share, respectively, were outstanding during the year ended September 27, 2008 but were not included in the computation of diluted EPS because the options exercise price was greater than the average market price of the common shares. Options to purchase 145,500 and 100,000 shares of common stock at exercise prices of $29.60 and $32.15 per share, respectively, were outstanding during the year ended October 3, 2009 but were not included in the computation of diluted EPS because the options exercise price was greater than the average market price of the common shares.

17. STOCK OPTION RECEIVABLES

Stock option receivables include amounts due from an officer totaling $76,000 and 124,000 at October 3, 2009 and September 27, 2008, respectively. Such amounts which are due from the exercise of stock options in accordance with the Company s Stock Option Plan are payable on demand with interest (3.25% at October 3, 2009 and 5.0% at September 27, 2008).

18. RELATED PARTY TRANSACTIONS

During the quarter ended October 3, 2009, the Company made advances against salary to its Chief Executive Officer (the CEO) totaling approximately $298,000 (of which approximately $252,000 remained outstanding at October 3, 2009 and is included in Employee Receivables). In addition, the Company also loaned $160,000 to the CEO s former wife (which is included in Related Party Receivables at October 3, 2009). The CEO believed the advances and loan were permissible after he consulted with the Company s General Counsel. In the latter part of November 2009, the Company reviewed these matters with its auditors and informed members of its Compensation and Audit Committees and outside counsel and concluded that the advances and loan may be deemed extensions of credit and violative of the Sarbanes-Oxley Act. The CEO immediately repaid the remaining balance on the advances with interest at 6%. The loan to his former wife was repaid in October before the review had begun.

Receivables due from officers (other than from the CEO), excluding stock option receivables, totaled $37,000 at October 3, 2009 and September 27, 2008. Other employee loans totaled approximately $295,000 and $244,000 at October 3, 2009 and September 27, 2008, respectively. Such loans bear interest at the minimum statutory rate (0.83% at October 3, 2009 and 2.36% at September 27, 2008).

19. SUBSEQUENT EVENTS

On December 1, 2009, the Board of Directors declared a quarterly dividend of $0.25 per share on the Company s common stock to be paid on January 4, 2010 to shareholders of record at the close of business on December 15, 2009.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ARK RESTAURANTS CORP.

By: /s/Michael Weinstein

Michael Weinstein

Chairman of the Board and Chief Executive Officer

Date: January 4, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been duly signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/Michael Weinstein	Chairman of the Board	January 4, 2010
(Michael Weinstein)	and Chief Executive Officer	
/s/Vincent Pascal	Senior Vice President	January 4, 2010
(Vincent Pascal)	and Director	
/s/Robert Towers	President, Treasurer, Chief	January 4, 2010
(Robert Towers)	Operating Officer and Director	
/s/Robert Stewart	Chief Financial Officer	January 4, 2010
(Robert Stewart)		
/s/Marcia Allen	Director	January 4, 2010
(Marcia Allen)		
/s/Steven Shulman	Director	January 4, 2010
(Steven Shulman)		
/s/Paul Gordon	Senior Vice President	January 4, 2010
(Paul Gordon)	and Director	
/s/Bruce R. Lewin	Director	January 4, 2010
(Bruce R. Lewin)		
/s/Arthur Stainman	Director	January 4, 2010

(Arthur Stainman)

/s/ Stephen Novick	Director	January 4, 2010
(Stephen Novick)		

Exhibits Index

3.1	Certificate of Incorporation of the Registrant, filed with the Secretary of State of the State of New York on January 4, 1983.
3.2	Certificate of Amendment of the Certificate of Incorporation of the Registrant filed with the Secretary of State of the State of New York on October 11, 1985.
3.3	Certificate of Amendment of the Certificate of Incorporation of the Registrant filed with the Secretary of State of the State of New York on July 21, 1988.
3.4	Certificate of Amendment of the Certificate of Incorporation of the Registrant filed with the Secretary of State of the State of New York on May 13, 1997.
3.5	Certificate of Amendment of the Certificate of Incorporation of the Registrant filed on April 24, 2002 incorporated by reference to Exhibit 3.5 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2002 (the Second Quarter 2002 Form 10-Q).
3.6	By-Laws of the Registrant, incorporated by reference to Exhibit 3.2 to the Registrant s Registration Statement on Form S-18 filed with the Securities and Exchange Commission on October 17, 1985.
10.1	Amended and Restated Redemption Agreement dated June 29, 1993 between the Registrant and Michael Weinstein, incorporated by reference to Exhibit 10.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended October 2, 1999 (1994 10-K).
10.2	Form of Indemnification Agreement entered into between the Registrant and each of Michael Weinstein, Ernest Bogen, Vincent Pascal, Robert Towers, Jay Galin, Robert Stewart, Bruce R. Lewin, Paul Gordon and Donald D. Shack, incorporated by reference to Exhibit 10.2 to the 1994 10-K.
10.3	Ark Restaurants Corp. Amended Stock Option Plan, incorporated by reference to Exhibit 10.3 to the 1994 10-K.
10.4	Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.4 to the Registrant s Annual Report on Form 10-K for the fiscal year ended October 2, 1999.
10.5	Ark Restaurants Corp. 1996 Stock Option Plan, as amended, incorporated by reference to the Registrant s Definitive Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. 1) filed on March 16, 2001.
10.6	Lease Agreement dated May 17, 1996 between New York-New York Hotel, LLC, and Las Vegas America Corp., incorporated by reference to Exhibit 10.6 to the Registrant s Annual Report on Form 10-K for the fiscal year ended October 3, 1998 (the 1998 10-K).
10.7	Lease Agreement dated May 17, 1996 between New York-New York Hotel, LLC, and Las Vegas Festival Food Corp., incorporated by reference to Exhibit 10.7 to the 1998 10-K.
10.8	Lease Agreement dated May 17, 1996 between New York-New York Hotel, LLC, and Las Vegas Steakhouse Corp., incorporated by reference to Exhibit 10.8 to the 1998 10-K.

10.9	Amendment dated August 21, 2000 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.9 to the Registrant s Annual Report on Form 10-K for the fiscal year ended September 30, 2000 (the 2000 10-K).
10.10	Amendment dated November 21, 2000 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.10 to the 2000 10-K.
10.11	Amendment dated November 1, 2001 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.11 to the Registrant s Annual Report on Form 10-K for the fiscal year ended September 29, 2001 (the 2001 10-K).
10.12	Amendment dated December 20, 2001 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.11 of the 2001 10-K.
10.13	Amendment dated as of April 23, 2002 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.13 of the Second Quarter 2002 Form 10-Q.
10.14	Amendment dated as of January 22, 2002 to the Fourth Amended and Restated Credit Agreement dated as of December 27, 1999 between we and Bank Leumi USA, incorporated by reference to Exhibit 10.14 of the First Quarter 2003 Form 10-Q.
10.15	Ark Restaurants Corp. 2004 Stock Option Plan, as amended, incorporated by reference to the Registrant s Definitive Proxy Statement pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed on January 26, 2004.
14	Code of Ethics, incorporated by reference to Exhibit 14.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended September 27, 2003.
16	Letter from Deloitte & Touche LLP regarding change in certifying accountants, incorporated by reference from the exhibit included with our Current Report on Form 8-K filed with the SEC on January 15, 2004 and our Current Report on Form 8-K/A filed with the SEC on January 16, 2004.
*21	Subsidiaries of the Registrant.
*23	Consent of J.H. Cohn LLP.
*31.1	Certification of Chief Executive Officer.
*31.2	Certification of Chief Financial Officer.
*32	Section 1350 Certification.

* Filed herewith.