

COLUMBIA PROPERTY TRUST, INC.

Form 424B5

August 03, 2016

Table of Contents

FILED PURSUANT TO RULE 424(B)(5)  
REGISTRATION NO. 333-198764  
REGISTRATION NO. 333-198764-01

**This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933 but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state or jurisdiction where the offer or sale is not permitted.**

**Subject to completion, dated August 3, 2016**

**Preliminary prospectus supplement**

**(To prospectus dated September 15, 2014)**

**\$**

## **Columbia Property Trust Operating Partnership, L.P.**

***% Senior Notes due 20***

***guaranteed by Columbia Property Trust, Inc.***

*Interest payable and .*

Columbia Property Trust Operating Partnership, L.P. (the Operating Partnership), the primary operating subsidiary of Columbia Property Trust, Inc. (the REIT), is offering \$ aggregate principal amount of % Senior Notes due , 20 . The Operating Partnership will pay interest on the notes semi-annually in arrears on and of each year, beginning on , 20 . The notes will mature on , 20 . The Operating Partnership may redeem some or all of the notes at any time at the prices described under Description of notes Optional redemption in this prospectus supplement.

The notes will be senior unsecured obligations of the Operating Partnership and will rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and will be effectively subordinated in right of payment to all of the Operating Partnership's existing and future mortgage indebtedness and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future indebtedness and other liabilities of the Operating Partnership's subsidiaries, whether secured or unsecured.

The REIT will fully and unconditionally guarantee the payment of principal and interest on the notes. The guarantee will be a senior unsecured obligation of the REIT, rank equally with all other senior unsecured obligations of the REIT and be effectively subordinated in right of payment to all of its existing and future mortgage indebtedness and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness) and to all existing and future indebtedness and other liabilities of the REIT's and the Operating Partnership's subsidiaries, whether secured or unsecured.

## Edgar Filing: COLUMBIA PROPERTY TRUST, INC. - Form 424B5

The notes are a new issue of securities with no established trading market. The Operating Partnership does not intend to apply for listing of the notes on any securities exchange or for quotation of the notes on any automated dealer quotation system.

**Investing in the notes involves risks. You should consider carefully the risks set forth in Risk factors beginning on page S-5 of this prospectus supplement, as well as those included in the REIT's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated herein by reference.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

|  | Per note | Total |
|--|----------|-------|
| Price to public(1)   | %        | \$    |
| Underwriting discount                                      | %        | \$    |
| Proceeds to the Operating Partnership (before expenses)(1) | %        | \$    |

(1) Plus accrued interest, if any, from August , 2016, if settlement occurs after that date.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, société anonyme, and Euroclear Bank S.A./N.V., as operator of the Euroclear System, against payment in New York, New York on or about August , 2016.

*Joint Book-Running Managers*

**J.P. Morgan**

August , 2016

**Morgan Stanley**

**Wells Fargo Securities**

**Table of Contents**

# Table of Contents

## Prospectus Supplement

|  | <b>Page</b> |
|--|-------------|
| <u>About this prospectus supplement</u>              | S-ii        |
| <u>Forward-looking statements</u>                    | S-ii        |
| <u>Summary</u>                                       | S-1         |
| <u>The offering</u>                                  | S-2         |
| <u>Risk factors</u>                                  | S-5         |
| <u>Use of proceeds</u>                               | S-9         |
| <u>Capitalization</u>                                | S-10        |
| <u>Ratio of earnings to fixed charges</u>            | S-11        |
| <u>Description of notes</u>                          | S-12        |
| <u>Material U.S. federal income tax consequences</u> | S-33        |
| <u>Underwriting</u>                                  | S-37        |
| <u>Legal matters</u>                                 | S-40        |
| <u>Experts</u>                                       | S-40        |
| <u>Where you can find more information</u>           | S-40        |
| <u>Incorporation by reference</u>                    | S-41        |
| <b>Prospectus</b>                                    |             |

|  | <b>Page</b> |
|--|-------------|
| <u>About this prospectus</u>   | ii          |
| <u>Columbia Property Trust, Inc. and Columbia Property Trust Operating Partnership, L.P.</u>     | ii          |
| <u>Where you can find more information</u>   | iii         |
| <u>Incorporation of certain information by reference</u>   | iii         |
| <u>Cautionary note regarding forward-looking statements</u>                                      | iv          |
| <u>Risk factors</u>  | 1           |
| <u>Use of proceeds</u>   | 2           |
| <u>Ratios of earnings to fixed charges and to fixed charges and preferred stock dividends</u>    | 3           |
| <u>Description of debt securities</u>  | 4           |
| <u>Description of warrants of Columbia Property Trust, Inc.</u>                                  | 11          |
| <u>Description of depository shares of Columbia Property Trust, Inc.</u>                         | 12          |
| <u>Description of Columbia Property Trust, Inc. capital stock</u>                                | 13          |
| <u>Certain provisions of Maryland law and Columbia Property Trust, Inc.'s charter and bylaws</u> | 21          |
| <u>Book-entry procedures and settlement</u>  | 24          |
| <u>Federal income tax considerations</u>   | 25          |
| <u>Plan of distribution</u>  | 43          |
| <u>Legal matters</u>   | 44          |



**Table of Contents**

## **About this prospectus supplement**

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined. This prospectus supplement may add to, update or change information in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement or the accompanying prospectus.

If information in this prospectus supplement is inconsistent with the accompanying prospectus, you should rely on this prospectus supplement. This prospectus supplement, the accompanying prospectus and the documents incorporated into each by reference include important information about us, the notes being offered and other information you should know before investing in our notes.

We have not, and the underwriters have not, authorized anyone to provide you with information that is in addition to or different from that contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus. Neither we nor the underwriters take responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not, and the underwriters are not, offering to sell these notes in any state or jurisdiction where the offer or sale is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus or any related free writing prospectus is accurate as of any date other than the date of the respective document. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

Columbia Property Trust Operating Partnership, L.P., referred to herein as the Operating Partnership, is a Delaware limited partnership, and Columbia Property Trust, Inc., referred to herein as the REIT or the guarantor, is a Maryland corporation and the sole general partner of the Operating Partnership. In this prospectus supplement and the accompanying prospectus, unless expressly stated or the context otherwise requires, references to Columbia Property Trust, we, us and our refer, collectively, to Columbia Property Trust, Inc. and its consolidated subsidiaries, including Columbia Property Trust Operating Partnership, L.P.; the Company refers only to Columbia Property Trust, Inc. and not to any of its subsidiaries or affiliates; and the Operating Partnership refers only to Columbia Property Trust Operating Partnership, L.P. and not to its parent or subsidiaries or affiliates.

## **Forward-looking statements**

Certain statements made in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may constitute forward-looking statements within the meaning of the federal securities laws. Statements regarding future events and developments and our future performance, as well as management's expectations, beliefs, plans, estimates, or projections relating to the future, are forward-looking statements within the meaning of these laws. Such statements include, in particular, statements about our plans, strategies, and prospects and are subject to certain risks and uncertainties, including known and unknown risks, which could cause actual results to differ materially from those projected or anticipated. Therefore, such statements are not intended to be a guarantee of our performance in future periods. Such forward-looking statements can generally be identified by our use of forward-looking terminology such as may, will, expect, intend, anticipate, estimate, believe, continue, or other similar words. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date made. We make no representations or warranties (express or implied) about the accuracy of any such forward-looking statements, and we do not undertake to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. Any such forward-looking statements are subject to risks, uncertainties,

**Table of Contents**

and other factors and are based on a number of assumptions involving judgments with respect to, among other things, future economic, competitive, and market conditions, all of which are difficult or impossible to predict accurately. To the extent that our assumptions differ from actual conditions, our ability to accurately anticipate results expressed in such forward-looking statements, including our ability to generate positive cash flow from operations, make distributions to stockholders, and maintain the value of our real estate properties, may be significantly hindered. The forward-looking statements also involve risks and uncertainties, which could cause actual results to differ materially from those contained in any forward-looking statement. Many of these factors are beyond our ability to control or predict. Such factors include, but are not limited to, the following:

our ability to find suitable investments and achieve our investment objectives and returns on investment;

the impact of economic conditions on the creditworthiness of our tenants and possible declines in occupancy and market rental rates;

the effect of changes in general economic conditions and regulatory matters germane to the real estate industry on our operating results and the value of our real estate properties;

our dependence on tenants for our revenue, and the negative effect of lease defaults or terminations on our financial condition, results of operations and ability to make distributions;

the performance of future acquisitions and required renovation costs in connection therewith;

our ability to sell a property when we plan to do so;

the impact of uninsured losses relating to real property or excessively expensive premiums for insurance coverage on our net income, business or financial condition;

our ability to fund the future capital needs of our properties;

our level of mortgage and other indebtedness, including future increases in interest rates and our ability to finance or refinance properties;

limitations due to restrictive covenants under our debt instruments;

a downgrade in the credit rating of our debt;

a breach of our privacy or information security systems;

litigation that we may be subject to;

the costs of complying with governmental laws and regulations;

liabilities arising from previously undetected environmental conditions;

the risks of property ownership through joint ventures;

defaults by the purchasers in seller-financing transactions;

our dependence on our executive officers and employees;

potential development and construction risks and delays that could result in increased costs;

our failure to qualify as a REIT and the limitations and liabilities we are subject to due to our REIT status;

our ability to maintain effective disclosure controls and internal control over financial reporting; and

other factors, including the risk factors discussed under Item 1A of the REIT's Annual Report on Form 10-K for the year ended December 31, 2015, which has been incorporated into this prospectus supplement by reference.

S-iii

**Table of Contents**

## Summary

*This summary is not complete and does not contain all of the information that you should consider before investing in the notes. You should read the entire prospectus supplement and the accompanying prospectus, including Risk factors, and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and related notes.*

### **Columbia Property Trust, Inc. and Columbia Property Trust Operating Partnership, L.P.**

Columbia Property Trust, Inc. is a Maryland corporation that operates in a manner so as to qualify as a real estate investment trust for federal income tax purposes and owns and operates commercial real estate properties. The Company was incorporated in 2003, commenced operations in 2004, and listed its common stock on the New York Stock Exchange in 2013. The Company conducts its business primarily through Columbia Property Trust Operating Partnership, L.P., a Delaware limited partnership, or the Operating Partnership. The Company is the sole general partner of the Operating Partnership and possesses full legal control and authority over its operations. The Operating Partnership is directly and indirectly 100% owned by the Company. The Operating Partnership acquires, develops, owns, leases and operates real properties directly, through wholly-owned subsidiaries and through joint ventures.

We typically invest in high-quality, income-generating office properties. As of June 30, 2016, we owned interests in 26 office properties and one hotel, containing approximately 13.3 million square feet of commercial space located in 14 U.S. metropolitan statistical areas. Of these office properties, 25 are wholly owned and one is owned through an unconsolidated joint venture. As of June 30, 2016, our operational office properties, including our share of the unconsolidated joint venture, were approximately 90.6% leased.

Our principal executive offices are located at One Glenlake Parkway, Suite 1200, Atlanta, Georgia 30328. Our main telephone number is (404) 465-2200. Our website is <http://www.columbiapropertytrust.com>. Information contained on our website is not a part of this prospectus supplement or the accompanying prospectus.



Table of Contents

## The offering

The following is a brief summary of certain terms of the notes and is not intended to be complete. For a more complete description of the terms of the notes, please refer to the section entitled "Description of notes" in this prospectus supplement.

|                         |  |
|-------------------------|--|
| <b>Issuer</b>           | Columbia Property Trust Operating Partnership, L.P.  |
| <b>Notes Offered</b>    | \$ aggregate principal amount of % Senior Notes due , 20 .   |
| <b>Maturity</b>         | The notes will mature on , 20 , unless earlier redeemed.   |
| <b>Interest</b>         | The notes will bear interest at a rate of % per year, accruing from , 20 . Interest on the notes will be payable semi-annually in arrears on and of each year, beginning , 20 .  |
| <b>Ranking of Notes</b> | <p>The notes will be the Operating Partnership's senior unsecured obligations and will rank equally in right of payment with all of its other existing and future senior unsecured indebtedness. The notes will be effectively subordinated in right of payment to:</p> <p>all of the Operating Partnership's existing and future mortgage indebtedness and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness); and</p> <p>all existing and future indebtedness and other liabilities, whether secured or unsecured, of the Operating Partnership's subsidiaries.</p>  |
| <b>Guarantee</b>        | <p>The notes will be fully and unconditionally guaranteed initially only by the REIT, which is the only guarantor of the Operating Partnership's aggregate \$450.0 million of term loan facilities, its \$350.0 million aggregate principal amount of 4.150% senior notes due 2025 (the "2025 Notes") and \$250.0 million aggregate principal amount of 5.875% senior notes due 2018 (the "2018 Notes"), which are expected to be called for redemption concurrently with the closing of this offering. The REIT's guarantee will be a senior unsecured obligation of the REIT and will rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and guarantees. The REIT's guarantee of the notes will be effectively subordinated in right of payment to:</p> <p>all existing and future secured indebtedness and secured guarantees of the REIT (to the extent of the value of the collateral securing such indebtedness and guarantees); and</p> <p>all existing and future indebtedness and other liabilities, whether secured or unsecured, of the REIT's and the Operating Partnership's subsidiaries.</p> <p>If, at any time after the issuance of the notes, a subsidiary of the Operating Partnership or the REIT (including any future subsidiary) guarantees more than \$35 million of our indebtedness for money borrowed or more than \$35 million of the indebtedness for money borrowed of the Operating</p> |

Edgar Filing: COLUMBIA PROPERTY TRUST, INC. - Form 424B5

Partnership s or the REIT s other subsidiaries, we or the REIT, as applicable, will cause such subsidiary to guarantee the notes by simultaneously executing and delivering a supplemental indenture in accordance with the indenture.

S-2

---

**Table of Contents**

As of June 30, 2016, the indebtedness and other liabilities of the subsidiaries of the REIT (other than the Operating Partnership) and the subsidiaries of the Operating Partnership were approximately \$277.3 million (excluding intercompany indebtedness and liabilities). Such subsidiaries generated 100% of the REIT's consolidated total revenues for the year ended December 31, 2015 and the six-month period ended June 30, 2016. The assets of such subsidiaries represented 100% of the REIT's total consolidated assets as of December 31, 2015 and the six-month period ended June 30, 2016.

**Optional Redemption**

The Operating Partnership may, at its option, redeem the notes, in whole at any time or in part from time to time, in each case prior to \_\_\_\_\_, 20\_\_\_\_ (\_\_\_\_ months prior to the stated maturity date of the notes), at a redemption price equal to the greater of (i) 100% of the principal amount of the notes to be redeemed and (ii) a "make-whole" amount, plus, in each case, unpaid interest, if any, accrued to, but not including, the date of redemption. In addition, at any time on or after \_\_\_\_\_, 20\_\_\_\_ (\_\_\_\_ months prior to the stated maturity date of the notes), the Operating Partnership may, at its option, redeem the notes, in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the notes to be redeemed plus unpaid interest, if any, accrued to, but not including, the date of redemption. See "Description of notes - Optional redemption."

**Certain Covenants**

The indenture governing the notes contains various covenants, including covenants with respect to limitations on the incurrence of debt. These covenants are subject to a number of important qualifications and exceptions. For additional information, see "Description of notes - Certain covenants."

**Form and Denomination**

The notes will be issued in the form of one or more fully registered global securities, without coupons, in denominations of \$2,000 in principal amount and integral multiples of \$1,000 in excess thereof. These global notes will be deposited with the trustee as custodian for, and registered in the name of, a nominee of The Depository Trust Company, or DTC. Except in the limited circumstances described under "Description of notes - Book-entry settlement and clearance", notes in certificated form will not be issued or exchanged for interests in global securities.

**Use of Proceeds**

We expect that the net proceeds from this offering will be approximately \$\_\_\_\_\_ million, after deducting the underwriting discount and the estimated expenses of this offering. We intend to use the net proceeds from this offering to redeem the 2018 Notes, with any remaining proceeds for general corporate purposes, which may include the repayment of borrowings under our revolving credit facility (the "Revolving Credit Facility"). See "Use of proceeds."

Certain of the underwriters in this offering or their affiliates hold the 2018 Notes that are expected to be redeemed with the proceeds from this offering and, therefore, will receive proceeds from this offering. In addition, affiliates of certain of the underwriters are lenders under the Revolving Credit Facility and

**Table of Contents**

will receive proceeds from this offering to the extent we repay borrowings under the Revolving Credit Facility with a portion of the proceeds from this offering.

**Further Issuances**

The Operating Partnership may issue additional notes having the same terms and conditions as the notes offered by this prospectus supplement in all respects, except for any difference in the issue date, price to the public, interest accrued prior to the issue date of the additional notes, and, if applicable, any difference in the first interest payment date. Additional notes issued in this manner will be consolidated with and will form a single series with the previously outstanding notes.

**No Trading Market**

The notes are a new issue of securities with no established trading market. We do not intend to apply for listing of the notes on any securities exchange or for quotation of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue market-making at any time without notice. See Underwriting in this prospectus supplement for more information about possible market-making by the underwriters.

**Trustee**

U.S. Bank National Association

**Governing Law**

State of New York.

**Risk Factors**

You should carefully consider all of the information in this prospectus supplement and the accompanying prospectus and the documents incorporated herein by reference. In particular, you should evaluate the information set forth under Forward-looking statements and Risk factors in this prospectus supplement and Item 1A. Risk Factors in the REIT's Annual Report on Form 10-K for the year ended December 31, 2015, which is incorporated by reference herein, before deciding whether to invest in the notes.

**Table of Contents**

## **Risk factors**

*An investment in the notes offered pursuant to this prospectus supplement and the accompanying prospectus involves risks. The trading price of the notes could decline due to any of these risks, and you may lose all or part of your investment. Investors should carefully consider the following risk factors and the risk factors related to our business identified in the REIT's Annual Report on Form 10-K for the year ended December 31, 2015 and all other information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus before acquiring any of the notes. The occurrence of any one or more of these risks could materially and adversely affect your investment in the notes.*

### **Risks relating to the notes**

*We have and may continue to incur indebtedness which could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes and our other indebtedness.*

We have, and, after giving effect to the offering of the notes will continue to have, indebtedness which requires substantial interest payments. As of June 30, 2016, after giving effect to the offering of the notes offered hereby and the application of the net proceeds therefrom, the Company and its subsidiaries will have total indebtedness of \$ billion, including \$333.0 million of outstanding borrowings under our Revolving Credit Facility; \$150.0 million outstanding on our \$150 Million Term Loan; \$300.0 million outstanding on our \$300 Million Term Loan; \$349.6 million outstanding under the 2025 Notes (net of approximately \$0.4 million remaining initial issuance discounts); \$277.3 million outstanding on our fixed-rate, term mortgage loans and \$ million outstanding under the notes. The weighted-average interest rate of all of our debt instruments (excluding the notes offered hereby) was 3.39% as of June 30, 2016.

We may be able to incur substantial additional indebtedness in the future. Subject to certain exceptions, the terms of the indenture governing the notes will not prohibit us from doing so. Our current and future levels of indebtedness could have significant consequences. For example, it could:

make it more difficult for us to satisfy our obligations under the notes offered hereby, as well as under our other debt facilities, exposing us to the risk of default, which could result in a foreclosure on our assets, which, in turn, would negatively affect our ability to operate as a going concern;

require us to dedicate a substantial portion of our cash flow from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flow for other purposes, such as capital expenditures, acquisitions, dividends and working capital;

limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;

increase our vulnerability to general adverse economic and industry conditions;

place us at a disadvantage compared to our competitors that have less debt;

expose us to fluctuations in the interest rate environment because the interest rates on a portion of our indebtedness are variable and are not subject to an interest rate swap agreements;

increase our cost of borrowing; and

limit our ability to borrow additional funds.

S-5

**Table of Contents**

*The effective subordination of the notes may limit our ability to satisfy our obligations under the notes.*

The notes will be the Operating Partnership's senior unsecured obligations and will rank equally in right of payment with all of its other existing and future senior unsecured indebtedness. The notes will be effectively subordinated in right of payment to:

all of the Operating Partnership's existing and future mortgage indebtedness and other secured indebtedness (to the extent of the value of the collateral securing such indebtedness); and

all existing and future indebtedness and other liabilities, whether secured or unsecured, of the Operating Partnership's subsidiaries. Similarly, the REIT's guarantee of the notes will be its senior unsecured obligation and will rank equally in right of payment with all of its other existing and future senior unsecured indebtedness and guarantees. The REIT's guarantee of the notes will be effectively subordinated in right of payment to:

all existing and future mortgage indebtedness and other secured indebtedness and secured guarantees of the REIT (to the extent of the value of the collateral securing such indebtedness and guarantees); and

all existing and future indebtedness and other liabilities, whether secured or unsecured, of the REIT's subsidiaries (other than the Operating Partnership).

In the event of the bankruptcy, liquidation, reorganization or other winding up of the Operating Partnership or the REIT, assets that secure any of their respective secured indebtedness and other secured obligations will be available to pay their respective obligations under the notes or the guarantee, as applicable, and their other respective unsecured indebtedness and other unsecured obligations only after all of their respective indebtedness and other obligations secured by those assets have been repaid in full, and we caution you that there may not be sufficient assets remaining to pay amounts due on any or all of the notes or the guarantee, as the case may be, then outstanding. In the event of the bankruptcy, liquidation, reorganization or other winding up of any subsidiaries of the Operating Partnership or the REIT, the rights of holders of indebtedness and other obligations of the Operating Partnership (including the notes) or the REIT (including the guarantee), as the case may be, will be subject to the prior claims of that subsidiary's creditors and of the holders of any indebtedness or other obligations guaranteed by that subsidiary, except to the extent that the Operating Partnership or the REIT is itself a creditor with recognized claims against that subsidiary, in which case those claims would still be effectively subordinated to all security interests in, and debt secured by mortgages or other liens on, the assets of that subsidiary (to the extent of the value of those assets) and would be subordinate to all indebtedness of that subsidiary senior to that held by the Operating Partnership or the REIT, as the case may be. Moreover, in the event of the bankruptcy, liquidation, reorganization or other winding up of any subsidiary of the Operating Partnership or the REIT, the rights of holders of indebtedness and other obligations of the Operating Partnership (including the notes) or the REIT (including the guarantee), as the case may be, will be effectively subordinated to any equity interests in that subsidiary held by persons other than the Operating Partnership or the REIT, as the case may be.

## **Table of Contents**

***The REIT has no significant operations, other than as the Operating Partnership's general partner and through its other subsidiaries, does not directly own any real estate assets and does not own any other material assets, other than its investment in the Operating Partnership and its other direct subsidiaries.***

The notes will be guaranteed by the REIT. However, the REIT has no significant operations, other than as general partner of the Operating Partnership and through its other subsidiaries, does not directly own any real estate assets and does not own any other material assets, other than its investment in the Operating Partnership and its other direct subsidiaries. Furthermore, the REIT's guarantee will be effectively subordinated in right of payment to:

all existing and future mortgage indebtedness and other secured indebtedness and secured guarantees of the REIT (to the extent of the value of the collateral securing such indebtedness or guarantees); and

all existing and future indebtedness and other liabilities, whether secured or unsecured, of the REIT's subsidiaries (other than the Operating Partnership).

As June 30, 2016, the indebtedness and other liabilities of the subsidiaries of the REIT (other than the Operating Partnership) and the subsidiaries of the Operating Partnership were approximately \$277.3 million (excluding intercompany indebtedness and liabilities). Such subsidiaries generated 100% of the REIT's consolidated total revenues for the year ended December 31, 2015 and the six-month period ended June 30, 2016. The assets of such subsidiaries represented 100% of the REIT's total consolidated assets as of December 31, 2015 and for the six-month period ended June 30, 2016.

***We may be unable to generate the cash flow to service our debt obligations, including the notes.***

We cannot assure you that our business will generate sufficient cash flow to enable us to service our indebtedness, including the notes, or to make anticipated capital expenditures. Our ability to pay our expenses and satisfy our debt obligations, refinance our debt obligations and fund planned capital expenditures will depend on our future performance, which will be affected by general economic, financial, competitive and other factors beyond our control. Based upon current levels of operations, we believe cash flow from operations and available cash will be adequate for the foreseeable future to meet our anticipated requirements for working capital, capital expenditures and scheduled payments of principal and interest on our indebtedness, including the notes. However, if we are unable to generate sufficient cash flow from operations or to borrow sufficient funds in the future to service our debt, we may be required to sell assets, reduce capital expenditures, refinance all or a portion of our existing debt (including the notes) or obtain additional financing. We cannot assure you that we will be able to refinance our debt, sell assets or borrow more money on terms acceptable to us, if at all.

***An active trading market for the notes may not develop.***

The notes are a new issue of securities with no established trading market, and we cannot assure you that an active trading market for the notes will develop or continue. If traded after their initial issuance, the notes may trade at a discount from their offering price, depending on prevailing interest rates, the market for similar securities, our performance and other factors. To the extent that an active trading market does not develop, the liquidity and trading prices for the notes may be harmed. The notes will not be listed on any securities exchange. We have been advised by the underwriters that they presently intend to make a market in the notes. However, the underwriters will not be obligated to do so. Any market-making activity, if initiated, may be discontinued at any time and without notice. If the underwriters cease to act as the market makers for the notes, we cannot assure you another firm or person will make a market in the notes. The liquidity of any market for the notes will depend upon, among other facts, the number of holders, our results of operations and financial condition, the market for similar securities and the interest of securities dealers in making a market in the notes.



## **Table of Contents**

*The market price of the notes may be subject to fluctuations.*

The market price of the notes will depend on many factors that may vary over time and some of which are beyond our control, including, among others, the following:

- our financial performance;
- the amount of our outstanding indebtedness;
- prevailing market interest rates;
- the market for similar securities;
- the ratings of the notes;
- the size and liquidity of the market for the notes; and
- general economic conditions.

As a result of these factors, you may be able to sell your notes only at prices below those you believe to be appropriate, including prices below the price you paid for them.

*A downgrade in our credit rating could materially adversely affect our business and financial condition and the market value of the notes.*

The credit ratings assigned to the notes and other debt securities of the Operating Partnership could change based upon, among other things, our results of operations and financial condition. These ratings are subject to ongoing evaluation by credit rating agencies, and we cannot assure you that any rating will not be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. Moreover, these credit ratings are not recommendations to buy, sell or hold the notes or any other securities. Additionally, credit rating agencies evaluate the industry in which we operate as a whole and may change their credit rating for us based on their overall view of such industry. Actual or anticipated changes or downgrades in our credit ratings, including any announcement that our ratings are under further review for a downgrade, could affect the market value of the notes and increase our corporate borrowing costs, which could in turn have a material adverse effect on our financial condition, liquidity and results of operations and our ability to satisfy our debt service obligations (including payments on the notes).

*Holders of the notes will not be entitled to require us to redeem or repurchase the notes upon the occurrence of change of control or highly levered transactions or other designated events.*

The indenture will not afford holders of the notes protection in the event of a change of control of the Operating Partnership or the REIT or a merger, consolidation, reorganization, restructuring or transfer or lease of all or substantially all of the Operating Partnership's or the REIT's assets or similar transactions that may adversely affect the holders of the notes. The Operating Partnership or the REIT may, in the future, enter into certain transactions, such as the sale of all or substantially all of the Operating Partnership's or the REIT's assets or a merger or consolidation that may increase the amount of the Operating Partnership's or the REIT's indebtedness or substantially change the Operating Partnership's or the REIT's assets, which may have a material adverse effect on the Operating Partnership's ability to service its indebtedness, including the notes, or on the REIT's ability to pay amounts due under its guarantees of the notes. Furthermore, the notes and the indenture will not include any provisions that would allow holders of the notes to require the Operating Partnership or the REIT to repurchase or redeem the notes in the event of a transaction of the nature described above.

**Table of Contents**

## **Use of proceeds**

We expect that the net proceeds from this offering will be approximately \$      million, after deducting the underwriting discount and the estimated expenses of this offering. We intend to use the net proceeds from this offering to redeem the 2018 Notes, with any remaining proceeds for general corporate purposes, which may include the repayment of borrowings under the Revolving Credit Facility.

The 2018 Notes require semi-annual interest payments in April and October based on a contractual annual interest rate of 5.875%, which is subject to adjustment in certain circumstances. The principal amount of the 2018 Notes is due and payable on April 1, 2018.

The Revolving Credit Facility matures in July 2019, with two, six-month extension options. Amounts outstanding under the Revolving Credit Facility currently bear interest at LIBOR plus 100 basis points.

Certain of the underwriters in this offering or their affiliates hold the 2018 Notes that are expected to be redeemed with the proceeds from this offering and, therefore, will receive proceeds from this offering. In addition, affiliates of certain of the underwriters are lenders under the Revolving Credit Facility and will receive proceeds from this offering to the extent we repay borrowings under the Revolving Credit Facility with a portion of the proceeds from this offering.

S-9

Table of Contents**Capitalization**

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2016 (i) on an actual basis and (ii) on an adjusted basis to give effect to the offering of the notes and the use of proceeds therefrom. See Use of proceeds. This table should be read in conjunction with, and is qualified in its entirety by reference to, the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, including our consolidated financial statements and related notes.

| (Dollars in thousands)            | As of June 30, 2016 |             |
|-----------------------------------|---------------------|-------------|
|                                   | Actual              | As adjusted |
| <b>Cash and cash equivalents:</b> | \$ 23,803           | \$          |
| <b>Long-term debt:</b>            |                     |             |
| Revolving Credit Facility         | 333,000             |             |
| \$300 million term loan           | 300,000             | 300,000     |
| \$150 million term loan           | 150,000             | 150,000     |
| 2018 Notes, net of discount(1)    | 249,559             |             |
| 2025 Notes, net of discount(1)    | 349,571             | 349,571     |
| Mortgage notes                    | 277,365             | 277,365     |
| Notes offered hereby(2)           |                     |             |
| <b>Total debt</b>                 | 1,659,495           |             |
| <b>Total stockholders' equity</b> | 2,529,636           | 2,529,636   |
| <b>Total capitalization</b>       | \$ 4,212,934        | \$          |

(1) Reflects amounts outstanding net of unamortized original issuance discount of \$1.8 million and \$0.5 million for the 2018 Notes and 2025 Notes, respectively.

(2) Reflects the aggregate principal amount of the notes offered hereby and does not reflect any original issue discount on the notes.

Table of Contents

## **Ratio of earnings to fixed charges**

The table below presents our ratio of earnings to fixed charges for each of the periods indicated:

securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. This pro

es are held by non-affiliates, and a per share price of \$1.99 which was the closing sale price of our common stock as quoted on the NYS

ng of these securities in any applicable prospectus supplement. If any agents, underwriters or dealers are involved in the sale of any sec





Washington, D. C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. The SEC also

ate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14 or 15(d) of

Current Report on Form 8-K, filed on April 26, 2016; and

The description of Milestone's Common Stock contained in its Registration Statement on Form S-2, filed on November 10, 2003, including any further amendment or report filed hereafter for the purpose of updating such description.

You should rely only on the information incorporated by reference or provided in this prospectus. We have authorized no one to provide you with different information. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this document. All documents that we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus or after the date of the registration statement of which this prospectus forms a part and prior to the termination of the offering will be deemed to be incorporated in this prospectus by reference and will be a part of this prospectus from the date of the filing of the document. Any statement contained in a document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this prospectus modifies or supersedes that statement. Any statement that is modified or superseded will not constitute a part of this prospectus, except as modified or superseded.

We will provide, upon written or oral request, without charge to you, including any beneficial owner to whom this prospectus is delivered, a copy of any or all of the documents incorporated herein by reference other than the exhibits to those documents, unless the exhibits are specifically incorporated by reference into the information that this prospectus incorporates. You should direct a request for copies to us at Attention: Chief Executive Officer, Leonard Osser, Milestone Scientific Inc., 220 South Orange Avenue, Livingston New Jersey 07039 or you may call us at (973) 535-2717.



## **FORWARD-LOOKING STATEMENTS**

Certain information set forth in this prospectus or incorporated by reference in this prospectus may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that are intended to be covered by the “safe harbor” created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as “believe,” “expect,” “may,” “will,” “should,” “would,” “could,” “seek,” “intend,” “plan,” “estimate,” “anticipate,” “project” or other comparable terms. Forward-looking statements involve inherent risks and uncertainties which could cause actual results to differ materially from those in the forward-looking statements, as a result of various factors including those risks and uncertainties included in this prospectus under the caption “Risk Factors,” and those risks and uncertainties described in the documents incorporated by reference into this prospectus. We urge you to consider those risks and uncertainties in evaluating our forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the applicable cautionary statements. We further caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. Except as otherwise required by the federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein or in the accompanying prospectus (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## **PROSPECTUS SUMMARY**

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC utilizing a “shelf” registration process. Under this shelf process, we may from time to time, sell any combination of securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of the securities being offered and risk factors specific to that offering.

We may add or modify in a prospectus supplement any of the information contained in this prospectus or in the documents that we have incorporated into this prospectus by reference. If there is any inconsistency between the information in this prospectus and a prospectus supplement, you should rely on the information in that prospectus supplement. You should read both this prospectus and any applicable prospectus supplement together with additional information described above under the heading “Where You Can Find More Information.”

When acquiring any securities discussed in this prospectus, you should rely on the information provided in this prospectus and the prospectus supplement, including the information incorporated by reference. Neither we, nor any underwriters or agents, have authorized anyone to provide you with different information. We are not offering the

securities in any state where such an offer is prohibited. You should not assume that the information in this prospectus, any prospectus supplement, or any document incorporated by reference, is truthful or complete at any date other than the date mentioned on the cover page of those documents. You should also carefully review the section entitled “Risk Factors”, which highlights certain risks associated with an investment in our securities, to determine whether an investment in our securities is appropriate for you.

All references in this prospectus to “Milestone,” “us,” “our”, “we” or “Milestone Scientific” refer to Milestone Scientific Inc. and its wholly owned subsidiary, Wand Dental Inc., a Delaware corporation, unless the context otherwise indicates. Milestone has rights to the following trademarks: *CompuDent*®, *CompuMed*®, *CompuFlo*®, *The Wand*®, *The Wand Plus*®, *The SafetyWand*®, *Dynamic Pressure Sensing Technology*®, and *STA Single Tooth Anesthesia*™, (STA Instrument, instruments and handpieces).

## **RISK FACTORS**

*Investing in our securities involves a high degree of risk. You should carefully consider risk factors described in our Annual Report on Form 10-K for our fiscal year ended December 31, 2015 (together with any material changes thereto contained in subsequently filed Quarterly Reports on Form 10-Q) and those contained in our other filings with the SEC, which are incorporated by reference in this prospectus and any accompanying prospectus supplement and all other information contained in this prospectus and in any supplementary prospectus relating to the offering of any of our securities before purchasing any of our securities. Some statements in this prospectus, constitute forward-looking statements. Please refer to the section entitled “Forward-Looking Statements.”*

*The prospectus supplement applicable to each type or series of securities we offer may contain a discussion of risks applicable to the particular types of securities that we are offering under that prospectus supplement. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed under the caption “Risk Factors” in the applicable prospectus supplement, together with all of the other information contained in the prospectus supplement or appearing or incorporated by reference in this prospectus. These risks could materially affect our business, results of operations or financial condition and cause the value of our securities to decline. You could lose all or part of your investment.*

## **THE COMPANY**

### **Business overview**

We are a medical research and development company that designs and patents innovative injection technology. Our computer-controlled injection systems make injections precise, efficient, and virtually painless.

Since our inception we have engaged in pioneering proprietary, innovative, computer-controlled injection technologies and solutions for the medical and dental markets. We have focused our energy and resources on redefining the worldwide standard of care for injection techniques by making the experience more comfortable for the patient and by reducing the anxiety and stress of administering injections for the healthcare provider.

We and our technology are widely recognized by key opinion leaders, industry experts and medical and dental practitioners as the leader in the emerging, high growth, computer-controlled injection industry; and remains intent on expanding the use and application of its proprietary, patented technologies to achieve greater operational efficiencies, enhanced patient safety and therapeutic adherence, and improved quality of care within a broad range of medical

disciplines.

In 1997, Milestone first introduced *The Wand*<sup>®</sup> (*CompuDent*<sup>®</sup> instrument) and the disposable *Wand* handpiece. *CompuDent* provides painless injections for all routine dental treatments, including root canals, crowns, fillings and cleanings. Milestone's Computer-Controlled Local Anesthetic Delivery (C-CLAD) instrument handpiece does not look or feel like a syringe and works better than a syringe, resulting in a more pleasant experience for the patient and practitioner.

We subsequently expanded our product offerings with the introduction of the *CompuMed*<sup>®</sup> advanced injection instrument, designed for use in a wide range of applications within the medical industry, including cosmetic surgery, hair restoration surgery, podiatry, colorectal surgery, nasal and sinus surgery, dermatology and orthopedics, among others.

In 2007, Milestone received U.S. Food and Drug Administration ("FDA") pre-market clearance for marketing and sale of the *STA* instruments (dental instrument) under section 510(k). Milestone introduced the instrument to the market in February 2007 and this instrument is currently being marketed throughout the world.

Central to our intellectual property platform and current product development strategy is our patented *CompuFlo*<sup>®</sup> technology for the precise delivery of medicaments. The *CompuFlo* pressure/force Computer-Controlled Local Anesthetic Delivery (C-CLAD) technology is an advanced, patented and FDA-approved medical technology for the painless and accurate delivery of drugs, anesthetics and other medicaments into all tissue types, as well as for the aspiration of bodily fluids or previously injected substances. Its regulation and control of flow rate continues to provide the *CompuDent* and *CompuMed* benefits of painless injections, while its *Dynamic Pressure Sensing*<sup>®</sup> capability provides visual and audible in-tissue pressure feedback, identifying tissue types to the healthcare provider. This pressure feedback extends the benefit of painlessness from anesthetics with known viscosities to a wide range of liquid drugs and other medicaments with varying viscosities and flow rates. *Dynamic Pressure Sensing* also allows the healthcare provider to know when certain types of tissues have been penetrated and permits the healthcare provider to inject medicaments precisely at the desired location. Thus, pressure feedback can prevent the suffusion of tissue outside the intended target area, a vitally important characteristic in the injection of chemotherapeutics and other toxic substances.

The *CompuFlo* technology consists of two critical elements. One element is the ability to determine exit pressure *In Situ* (in the injection site tissue) at the tip of the needle in real time. This minimizes tissue damage (and eliminates the pain of the injection) because the flow rate and pressure of the injection are controlled. The other critical element of the technology is an integrated injection database of algorithms that have been defined which allow for the measurement of the exit pressure. This database of algorithms contains the critical components of specific drugs, parameters of needles, tubing and syringes and all other pertinent components for the safe and efficacious delivery of medications for all procedures.

The *CompuFlo* technology also consists of a disposable injection handpiece that provides for precise tactile control during the injection, an electromechanical (computer-controlled) fluid delivery instrument and the ability to record data from the injection event. As confirmed by numerous noted medical and dental experts within academia and the clinical practice arenas, *CompuFlo* has the potential to greatly increase the safety and efficacy of many drug delivery procedures that currently rely upon the over 150-year-old hypodermic syringe technology and the tactile senses and delivery expertise of the administrator.

On September 14, 2004, Milestone was issued United States Patent No. 6,786,885 for the *CompuFlo* technology, entitled “Pressure/Force Computer Controlled Drug Delivery Instrument with Exit Pressure.” Proprietary software, working with an innovative technology, allows the instrument to continuously monitor and control the exit pressure of fluid and/or medication during an injection. This same technology also enables doctors to accurately identify different tissue types based on exit pressure during an injection. The technology has numerous applications in both medicine and dentistry, including epidural and intra-articular injections.

In December 2004, the United States Patent Office issued a “Notice of Allowance” for patent protection on two additional critical elements of the *CompuFlo* automated drug delivery technology: “Drug Delivery Instrument with Profiles” and “Pressure/Force Computer Controlled Drug Delivery with Automated Charging”.

In December 2005, Milestone submitted a pre-market notification to the FDA on its *CompuFlo* technology, which was subsequently cleared by the FDA in July of 2006. This initial submission was critical for Milestone’s continuing efforts to develop and commercialize this important technology. Milestone has identified a number of potential applications for *CompuFlo*, including single-tooth dental injections, self-administered drug delivery, osteoarthritis joint pain management and epidurals.

Given Milestone’s experience and established brand awareness within the dental industry, it elected to focus its initial product development efforts on the integration of *CompuFlo* into its legacy computer-controlled dental injection instrument. As a result, Milestone developed the industry’s first solution for painlessly administering a single-tooth injection as the only injection necessary for achieving anesthesia, foregoing the need to administer a traditional nerve branch block. This new instrument, which also provides for use of a disposable handpiece, was trademarked the “*STA Single Tooth Anesthesia Instrument*,”<sup>TM</sup> now more commonly known as the *Wand STA Instrument*.

After receiving FDA 510(k) Pre-market Notification acceptance for the marketing and sale of the *STA Instrument*, Milestone introduced the instrument to market in February 2007 at the Chicago Dental Society's 143<sup>rd</sup> Midwinter Meeting. The patented *STA Instrument* incorporates the "pressure feedback" elements of Milestone's patented *CompuFlo* technology, thereby allowing dentists to administer injections accurately and painlessly into the periodontal ligament space, effectively anesthetizing a single tooth. This injection is of significant value in that it allows the dentist to profoundly anesthetize the tooth within one or two minutes, versus up to 15-18 minutes for a block injection to take effect. Utilizing the *STA Instrument* single tooth injection, the patient will suffer neither pain nor collateral anesthesia in the cheek, lips or tongue at any time. The *STA Instrument* is capable of performing all of the injections that can be done with a conventional dental syringe, including the palatal-anterior superior alveolar, anterior middle superior alveolar and inferior alveolar nerve block. The *STA Instrument* achieves these injections predictably and reliably.

Initial market response to the *STA Instrument* following its commercial debut in February 2007 proved to be less than robust. Moreover, at that time, Milestone had granted exclusive U.S. and Canadian distribution and marketing rights for the *STA Instrument* to Henry Schein, Inc., the largest distributor of healthcare products and services to office-based practitioners in the combined North American and European markets. Following several months of lackluster sales and after making critical senior management changes, Milestone initiated an in-depth market study to reassess its positioning and marketing strategies for the *STA Instrument*. The insight gained from this study led management to redefine and implement a new messaging platform, created to emphasize key benefits that Milestone discovered are of most value to dental professionals. This new product messaging was launched in January 2008 and has remained in constant review.

In the spring of 2009, Milestone signed an Exclusive Distribution and Marketing Agreement with China National Medicines Corporation, dba Sinopharm, which is China's largest domestic manufacturer, distributor and marketer of pharmaceuticals and importer of medical devices and the country's largest domestic distributor of dental anesthetic carpules to the Chinese dental industry. Prior to the end of 2009, China National Medicines issued Milestone a blanket purchase order for 12,000 *STA instruments* and related handpieces to be delivered over 36 months, thereby marking Milestone's initial penetration into China's emerging dental market. The agreement was terminated in September 2014 and a new distributor, Milestone China Ltd., a Hong Kong corporation, owned forty (40) percent by Milestone, became the distributor for the *STA Instruments* and handpieces in China.

In early October 2012, the State Food and Drug Administration (SFDA) of the People's Republic of China approved Milestone's *Single Tooth Anesthesia System*® (STA System). Unfortunately, the SFDA bifurcated approval of the *STA Systems* from the *Wand*® handpieces. Approval of the *Wand*® handpieces was received in May 2014 and the distribution of these handpieces has begun in China.

According to a report published by the U.S. Department of Commerce, titled "China's Emerging Markets: Opportunities in the Dental and Dental Lab Industry," China's dental market lags behind other healthcare services and has largely been neglected in the past. In fact, CS Market Research reports that "of China's 1.3 billion plus population, 50% of the adults and 70% of the children are estimated to have decayed tooth problems, and over 90% have periodontal disease." However, with increasing affluence of the Chinese population, as well as increasing attention towards personal care, demand for dental services has been growing. Market research firm Freedonia agrees, noting that demand for dental products in China is expected to climb due primarily to escalating personal income levels and government programs promoting awareness of the benefits of good oral care.

Shortly before the end of the second quarter of 2009, Milestone elected to refine its international marketing strategy to gain greater access to and penetration of the international dental markets. The new sales strategy provides for increasing hands-on oversight and support of its existing international distribution network, while also attracting new distributors throughout Europe, Asia and South America.

In November 2012, Milestone signed an exclusive distributor and marketing agreement with a well-known US domestic manufacturer and distributor, for the sale and distribution of the *STA instrument* and handpieces in the United States and Canada. The marketing initiative will include participation in U.S. and Canadian dental shows, as well as pediatric dental shows; an active advertising initiative targeting major dental publications; and direct mailing campaigns to over 150,000 dentists across the U.S. and Canada. This agreement was amended in December 2015 to a non-exclusive distributor arrangement, which is scheduled to terminate in March 2016.

On January 1, 2016, Henry Schein accepted an arrangement to become a non-exclusive distributor for the *STA Instruments* and handpieces in the USA and Canada. In addition, in August 2013, Milestone appointed Henry Schein as its exclusive distributor in the USA and Canada for the *CompuDent* handpieces.

### ***CompuFlo® Advanced Injection Technology – Core Technology***

The *CompuFlo* technology is patented and embedded in the *STA Instrument* that is being sold worldwide in the dental market. *CompuFlo* technology has been tried and proven in human and animal studies, as well as by dentists in most parts of the world who are using the *STA Instrument* in their practices.

*CompuFlo* is a new technology for injections which enables health care practitioners to monitor and precisely control “pressure,” “rate” and “volume” during all injections and can be used to inject all liquid medicaments as well as anesthetics. *CompuFlo* can also be used to aspirate body fluids.



Negative side effects from the use of traditional hypodermic drug delivery injection instruments are well documented in dental and medical literature and include risk of death, transient or permanent paralysis, pain, tissue damage and post-operative complications. The pain and tissue damage are a direct result of uncontrolled flow rates and pressures that are created during the administration of drug solutions into human tissue. While several technologies have been capable of controlling flow rate, the ability to accurately and precisely control pressure has been unobtainable until the development of *CompuFlo*.

Precisely controlling in-tissue pressure increases patient safety by reducing the risk of tissue damage and post-treatment pain related to excessive pressure that may occur during certain injections. Identification of the tissue, in which the needle tip is imbedded, is believed to be highly important in epidural injections, intra-articular injections and numerous organ, subcutaneous and intramuscular injections.

*CompuFlo*'s pressure sensing technology provides an objective tool that consistently and accurately identifies the epidural space by detecting the difference in pressure between the ligamentum flavum and the extraligamentary tissue. In studies utilizing the *CompuFlo* technology the epidural space has been correctly identified 100% of the time. Knowing the precise location of a needle during an epidural injection procedure provides a measure of safety not presently available to doctors using conventional syringes, who identify the epidural space by relying on the subjective perception of loss of resistance to saline.

In the absence of curative procedures, arthritis patients are obliged to endure multiple painful injections annually for a lifetime. Often these injections are not efficacious, because the doctor using a syringe failed to locate the intra-articular space or did not inject the appropriate volume of hyaluronic acid or other medicament into that space. The *CompuFlo* technology has been successful in administering viscous hyaluronic acid and other medicaments into the intra-articular space in both small and large joints using its computer-controlled pressure sensing capabilities in an independent animal study.

There are a number of injectable drugs routinely self-administered in a home or office setting using spring loaded automatic injection devices by people who suffer from long term chronic conditions such as Multiple Sclerosis diseases of the auto immune system and Rheumatoid Arthritis. The *CompuFlo* technology, using pressure sensing capabilities, can serve as a painless subcutaneous injection method for these self-administered drugs. A significant reduction in pain during delivery should have a positive impact on compliance, which is a major consideration when physicians are treating patients.

## **Product Platform**

Milestone has developed and brought to market a highly differentiated portfolio of industry innovations. Thus far, Milestone's proprietary solutions have succeeded in elevating the state of the art in the professional dental arena. The product portfolio includes:

***STA Single Tooth Anesthesia Instrument™ (Wand STA Instrument)***

The *STA Single Tooth Anesthesia Instrument™ (STA Instrument)* is a patented, computer-controlled local anesthesia delivery instrument that incorporates the "pressure feedback" elements of Milestone's patented *CompuFlo* technology, thereby allowing dentists to administer injections accurately into the periodontal ligament space, effectively anesthetizing a single tooth. While the periodontal ligament injection has been available for some time, there has been no effective technology that allows dentists to easily perform the procedure painlessly, safely and predictably until now. With this unique procedure dentists can easily and predictably anesthetize a single tooth root in one minute as the primary and sole injection, as compared to a general blocking injection and waiting up to 18 minutes (or longer if the blocking injection needs to be re-administered) before proceeding to perform a procedure on the targeted tooth. An instrument which allows dentists to effectively anesthetize a single tooth will greatly enhance the productivity of dental practices and, when combined with the painless injection capabilities already present in the *CompuDent* instrument, such an instrument should provide a compelling value in the marketplace. The *STA Instrument* will generate recurring revenues from per-patient disposable handpieces.

Since its market introduction in the spring of 2007, the *STA Instrument* has received favorable reviews and awards from the dental industry. In July 2007, noted industry publication *Dentistry Today* featured the *STA Instrument* as one of the “Top 100 Products in 2007,” helping to promote much broader recognition of the instrument and validating *STA*’s value proposition for dentists and patients, alike. In early 2008, *Medical Device & Diagnostic Industry* magazine distinguished the *STA Instrument* as a 2008 Medical Design Excellence Award winner in the “Dental Instruments, Equipment and Supplies” product category. Of the 33 products to receive this coveted award, the *STA* was one of only two winning products that serve dental practitioners. In December 2008, Milestone continued to win broad acclaim for the *STA Instrument* by winning a “Townie Choice Award”. The “Townie Choice” awards were originally started by Dr. Howard Darran and Farran Media, publisher of *Dentaltown Magazine*, to assist dentists in making product purchasing decisions, and are considered the “people’s choice” of the products and services available to the dental industry today. That same month, the *STA Instrument* was also named as a *Dental Products Report* “Top 100 2008 Product of Distinction.” Additionally, the *STA Instrument* was named one of *Dentistry Today*’s “Top 100 Products” for the third consecutive year in 2010.

### ***CompuDent***<sup>®</sup>

*CompuDent* (also known as the *Wand Plus*<sup>®</sup> internationally) is Milestone’s proprietary, patented Computer-Controlled Local Anesthetic Delivery (C-CLAD) instrument and predecessor of the *STA Instrument*. *CompuDent* delivers anesthesia at a precise and consistent rate below a patient’s pain threshold. Over the years, *CompuDent* has been widely heralded as a revolutionary instrument, considered one of the major advances in dentistry in the 20<sup>th</sup> Century. The instrument has been favorably evaluated in more than 50 peer reviewed or independent clinical research reports. *CompuDent*, including its ergonomically designed single-use handpieces (*The Wand*<sup>®</sup>), provides numerous, well documented benefits:

*CompuDent* minimizes the pain associated with palatal, mandibular block and all other injections, resulting in a more comfortable injection experience for the patient;

the pencil grip used with *The Wand* handpieces allows unprecedented tactile sense and accurate control;

new injections made possible with the *CompuDent* technology eliminate collateral numbness of the tongue, lips and facial muscles;

bi-directional rotation of *The Wand* handpieces eliminates needle deflection resulting in greater success and more rapid onset of anesthesia in mandibular block injections;

the use of a single patient use, disposable handpieces minimizes the risk of cross contamination; and

the ergonomic design of *The Wand* handpieces makes an injection easier and less stressful to administer, lowering the risk of carpal tunnel syndrome.

Despite *CompuDent*'s many benefits, including the administration of less painful and more comfortable injections, dentists in the United States have been slow to give up the use of traditional syringes. Dentists have all been trained to use syringes in dental school and often have become accustomed to and are comfortable with their use during many years of clinical practice, despite the obvious reluctance and/or fear of the patient in relation to injections administered by hypodermic syringe. There are approximately 40 million dental phobics, those people afraid to visit a dentist, in the United States. Therefore, Milestone believes there is a disconnect in the way dentists perceive their patients' attitudes toward injection by hypodermic syringe. The *CompuDent* is used today by thousands of dentists around the world, many of whom have long since abandoned the over 150-year old syringe.

### ***CompuMed***<sup>®</sup>

*CompuMed* is a patented computer-controlled injection instrument geared to the needs of the medical market and providing benefits similar to *CompuDent*. *CompuMed* allows many medical procedures, now requiring intravenous sedation, to be performed with only local anesthesia due to dramatic pain reduction. Also, dosages of local anesthetic can often be significantly reduced, thus reducing side effects, accelerating recovery times, lowering costs and eliminating potential complications. *CompuMed* has accumulated clinical evidence demonstrating benefits from use in colorectal surgery; podiatry; dermatology, including surgery for the removal of basal cell carcinomas and other oncological dermatologic procedures; nasal and sinus surgery, including rhinoplasty; hair transplantation and cosmetic surgery, among others. The *CompuMed* is being replaced by instruments that include *CompuFlo* technology geared to specific medical disciplines.

### ***The Wand***<sup>®</sup>

*The Wand* handpiece is used in conjunction with the *STA*, *CompuDent* and *CompuMed* instruments. It is an ergonomically designed and patented handpiece that enables all traditional and newer injections, such as AMSA, P-ASA and Modified-PDL, to be more comfortable and easier to deliver. Moreover, the pen-like grasp of *The Wand* allows bi-directional rotation during injection, which prevents needle deflection that occurs with a traditional syringe. A straighter path results in a more accurate injection, meaning fewer missed mandibular blocks, and more rapid onset of anesthesia. Missed blocks are reported in the literature to occur 30% of the time. This raises both patient anxiety and difficulties for the dentists in managing their business. While awaiting profound anesthesia, the dentist is losing time and money.

## Competition

Milestone's proprietary, patented Computer-Controlled Local Anesthesia Delivery (C-CLAD) instruments compete with disposable and reusable syringes that generally sell at lower prices and that use established and well-understood methodologies in both the dental and medical marketplaces.

Milestone's instruments compete on the basis of their performance characteristics and the benefits provided to both the practitioner, patient and the dental business operations. Clinical studies have shown that the instruments reduce fear, pain and anxiety for many patients, and Milestone believes that they can reduce practitioner stress levels, as well. Milestone's newest product introduction, the *STA Instrument*, can be used for all dental injections that can be performed with a traditional dental syringe. Moreover, the *STA Instrument* can also be used for new and modified dental injection techniques that cannot be performed with traditional syringes. These new techniques allow for faster procedures shortening chair-time, minimizing the numbing of the lips and facial muscles, enhancing practice productivity, reducing stress and virtually eliminating pain and anxiety for both the patient and the dentist.

Milestone faces intense competition from many companies in the medical and dental device industry, possessing substantially greater financial, marketing, personnel, and other resources. Most competitors have established reputations, stemming from their success in the development, sale, and service of competing dental products. Further, rapid technological change and research may affect the products. Current or new competitors could, at any time, introduce new or enhanced products with features that render the products less marketable or even obsolete. Therefore, Milestone must devote substantial efforts and financial resources to improve existing products, bring products to market quickly, and develop new products for related markets. In addition, the ability to compete successfully requires that Milestone establish an effective distribution network with a strong marketing plan. Historically, Milestone has been unsuccessful in executing the marketing plans for the products, primarily due to resource constraints. New products must be approved by regulatory authorities before they may be marketed. Milestone cannot assure you that it can compete successfully; that competitors will not develop technologies or products that render the products less marketable or obsolete; or, that Milestone will succeed in improving the existing products, effectively develop new products, or obtain required regulatory approval for those products.

## Patents and Intellectual Property

Milestone holds the following U.S. utility and design patents:

| U.S.   | DATE OF |
|--------|---------|
| NUMBER | ISSUE   |

|   |           |            |
|---|-----------|------------|
| <b>Computer Controlled Drug Delivery Systems</b>                                | 6,022,337 | 2/8/2000   |
| Dental Anesthetic and Delivery Injection Unit                                   |           |            |
| Cartridge Holder for Injection Device   | 6,132,414 | 10/17/2000 |
| Dental Anesthetic Delivery Injection Unit                                       | 6,152,734 | 11/28/2000 |
| Microprocessor-controlled Fluid Dispensing Apparatus                            | 6,159,161 | 12/12/2000 |
| Pressure/Force Computer Controlled Drug Delivery System                         | 6,200,289 | 3/13/2001  |
| Dental Anesthetic and Delivery Injection Unit with Automated Rate Control       | 6,652,482 | 11/25/2003 |
| Pressure/Force Computer Controlled Drug Delivery System with Exit Pressure      | 6,786,885 | 9/14/2004  |
| Pressure/Force Computer Controlled Drug Delivery System with Automated Charging | 6,887,216 | 5/3/2005   |
| Drug Delivery System with Profiles  | 6,945,954 | 9/20/2005  |
| Cartridge Holder for Anesthetic and Delivery Injection Device                   | D558,340  | 12/25/2007 |
| Design for Drive Unit for Anesthetic  | D566,265  | 4/8/2008   |
| Design for Drive Unit for Anesthetic  | D579,540  | 10/28/2008 |
| Drug Infusion Device with Tissue Identification Using Pressure Sensing          | 7,449,008 | 11/11/2008 |
| Computer Controlled Drug Delivery Systems with Pressure Sensing                 | 7,618,409 | 11/17/2009 |
| Hand Piece for Fluid Administration   | 7,625,354 | 12/1/2009  |
| Self-Administration Injection System  | 7,740,612 | 6/22/2010  |
| Computer controlled drug delivery system with dynamic pressure sensing          | 7,896,833 | 3/1/2011   |
| Injection Device Adaptor  | D741,811  | 10/27/2015 |
| <b>Engineered Sharps Injury Protection Devices</b>                              |           |            |
| Handpiece for Injection Device with a Retractable and Rotating Needle           | 6,428,517 | 8/6/2002   |
| Safety IV Catheter Device   | 6,726,658 | 4/27/2004  |
| Safety IV Catheter Infusion Device  | 6,905,482 | 6/14/2005  |
| Handpiece for Injection Device with a Retractable and Rotating Needle           | 6,966,899 | 11/22/2005 |

Milestone relies on a combination of patent, copyright, trade secret, and trademark laws and employee and third party non-disclosure agreements to protect intellectual property rights. Despite the precautions taken by Milestone to protect the products, unauthorized parties may attempt to reverse engineer, copy, or obtain and use products and information that Milestone regarded as proprietary, or may design products serving similar purposes that do not infringe on Milestone's patents. Milestone's failure to protect its proprietary information and the expenses of doing so could have a material adverse effect on the operating results and financial condition.

In the event that the products infringe upon patent or proprietary rights of others, Milestone may be required to modify processes or to obtain a license. There can be no assurance that Milestone would be able to do so in a timely manner, upon acceptable terms and conditions, or at all. The failure to do so would have a material adverse effect on Milestone.

## **Government Regulation**

The FDA cleared the *CompuDent* instrument and its disposable handpieces for marketing in the U.S. for dental applications in July 1996; the *CompuMed* instrument for marketing in the U.S. for medical applications in May 2001; and, the *Safety Wand* for marketing in the U.S. for dental applications in September 2003. For us to commercialize the other products in the U.S., Milestone will have to submit additional 510(k) applications with the FDA. Milestone received FDA 510 (k) approval for the *STA Instrument* in August 2006.

The manufacture and sale of medical devices and other medical products are subject to extensive regulation by the FDA pursuant to the FDC Act, and by other federal, state and foreign authorities. Under the FDC Act, medical devices must receive FDA clearance before they can be marketed commercially in the U.S. Some medical products must undergo rigorous pre-clinical and clinical testing and an extensive FDA approval process before they can be marketed. These processes can take a number of years and require the expenditure of substantial resources. The time required for completing such testing and obtaining such approvals is uncertain, and FDA clearance may never be obtained. Delays or rejections may be encountered based upon changes in FDA policy during the period of product development and FDA regulatory review of each product submitted. Similar delays also may be encountered in other countries. Following the enactment of the Medical Device Amendments to the FDC Act in May 1976, the FDA classified medical devices in commercial distribution into one of three classes. This classification is based on the controls necessary to reasonably ensure the safety and effectiveness of the medical device. Class I devices are those devices whose safety and effectiveness can reasonably be ensured through general controls, such as adequate labeling, pre-market notification, and adherence to the FDA's Quality Systems Regulation ("QSR"), also referred to as "Good Manufacturing Practices" ("GMP") regulations. Some Class I devices are further exempted from some of the general controls. Class II devices are those devices whose safety and effectiveness reasonably can be ensured through the use of special controls, such as performance standards, post-market surveillance, patient registries, and FDA guidelines. Class III devices are those which must receive pre-market approval by the FDA to ensure their safety and effectiveness. Generally, Class III devices are limited to life-sustaining, life-supporting or implantable devices.





If a manufacturer or distributor can establish that a proposed device is “substantially equivalent” to a legally marketed Class I or Class II medical device or to a Class III medical device for which the FDA has not required pre-market approval, the manufacturer or distributor may seek FDA marketing clearance for the device by filing a 510(k) Pre-market Notification. The 510(k) Pre-market Notification and the claim of substantial equivalence may have to be supported by various types of data and materials, including test results indicating that the device is as safe and effective for its intended use as a legally marketed predicate device. Following submission of the 510(k) Pre-market Notification, the manufacturer or distributor may not place the device into commercial distribution until an order is issued by the FDA. By regulation, the FDA has no specific time limit by which it must respond to a 510(k) Pre-market Notification. At this time, the FDA typically responds to the submission of a 510(k) Pre-market Notification within 180 days. The FDA response may declare that the device is substantially equivalent to another legally marketed device and allow the proposed device to be marketed in the U.S. However, the FDA may determine that the proposed device is not substantially equivalent or may require further information, such as additional test data, before the FDA is able to make a determination regarding substantial equivalence. Such determination or request for additional information could delay market introduction of products and could have a material adverse effect on us. If a device that has obtained 510(k) Pre-market Notification clearance is changed or modified in design, components, method of manufacture, or intended use, such that the safety or effectiveness of the device could be significantly affected, separate 510(k) Pre-market Notification clearance must be obtained before the modified device can be marketed in the U.S.. If a manufacturer or distributor cannot establish that a proposed device is substantially equivalent to a legally marketed device, the manufacturer or distributor will have to seek pre-market approval of the proposed device, a more difficult procedure requiring extensive data, including pre-clinical and human clinical trial data, as well as extensive literature to prove the safety and efficacy of the device.

Though the *STA Instrument*, *CompuDent*, the *Safety Wand* and *CompuMed* have received FDA marketing clearance, there can be no assurance that any of the other products under development will obtain the required regulatory clearance in a timely manner, or at all. If regulatory clearance of a product is granted, such clearance may entail limitations on the indicated uses for which the product may be marketed. In addition, modifications may be made to the products to incorporate and enhance their functionality and performance based upon new data and design review. There can be no assurance that the FDA will not request additional information relating to product improvements; that any such improvements would not require further regulatory review, thereby delaying the testing, approval and commercialization of product improvements; or, that ultimately any such improvements will receive FDA clearance.

Compliance with applicable regulatory requirements is subject to continual review and will be monitored through periodic inspections by the FDA. Later discovery of previously unknown problems with a product, manufacturer, or facility may result in restrictions on such product or manufacturer, including fines, delays or suspensions of regulatory clearances, seizures or recalls of products, operating restrictions and criminal prosecution and could have a material adverse effect on Milestone.

Milestone is subject to pervasive and continuing regulation by the FDA, whose regulations require manufacturers of medical devices to adhere to certain QSR requirements as defined by the FDC Act. QSR compliance requires testing, quality control and documentation procedures. Failure to comply with QSR requirements can result in the suspension or termination of production, product recall or fines and penalties. Products also must be manufactured in registered establishments. In addition, labeling and promotional activities are subject to scrutiny by the FDA and, in certain

circumstances, by the Federal Trade Commission. The export of devices is also subject to regulation in certain instances.

The Medical Device Reporting (“MDR”) regulation obligates us to provide information to the FDA on product malfunctions or injuries alleged to have been associated with the use of the product or in connection with certain product failures that could cause serious injury. If, as a result of FDA inspections, MDR reports or other information, the FDA believes that Milestone is not in compliance with the law, the FDA can institute proceedings to detain or seize products, enjoin future violations, or assess civil and/or criminal penalties against us, the officers or employees. Any action by the FDA could result in disruption of operations for an undetermined time.

In March 2012, Milestone received approval for the *Wand STA Single Tooth Anesthesia Instrument* from ANVISA in Brazil. In June 2007, Milestone received a CE mark for the marketing of the *STA Instrument* in Europe. In June 2003 Milestone received a CE mark for marketing of the *Safety Wand* and *The Wand Handpieces with Needle* in Europe. In July 2003, Milestone obtained regulatory approval to sell *CompuDent* and its handpieces in Australia and New Zealand.

As of May 2014, China National Medicines received the appropriate registration approval from the regulatory body in China, therefore, shipment of *STA* handpieces began in China. In the fourth quarter of 2014, the distribution agreement with China National Medicines was terminated and Milestone China Ltd. (owned 40% by Milestone Scientific) became the authorized distributor of the *STA* instruments and handpieces in China.

## **Product Liability**

Failure to use any of the products in accordance with recommended operating procedures could potentially result in health hazards or injury. Failures of the products to function properly could subject Milestone to claims of liability. Milestone maintains liability insurance in an amount that Milestone believes is adequate. However, there can be no assurance that the insurance coverage will be sufficient to pay product liability claims brought against Milestone. A partially or completely uninsured claim, if successful and of significant magnitude, could have a material adverse effect on Milestone.

## **Corporate Information**

We were organized in August 1989 under the laws of the State of Delaware. Our principal executive office is located at 220 South Orange Avenue, Livingston, New Jersey 07039, telephone number (973) 535-2717. Our web address is [www.milestonescientific.com](http://www.milestonescientific.com). None of the information on our website is part of this prospectus.

## **USE OF PROCEEDS**

We currently intend to use the estimated net proceeds from the sale of these securities for general corporate and working capital purposes, including the funding of strategic initiatives that we may undertake from time to time. We have not yet determined the amount of net proceeds to be used specifically for any of the foregoing purposes. Accordingly, our management will have significant discretion and flexibility in applying the net proceeds from the sale of these securities. Our plans to use the estimated net proceeds from the sale of these securities may change, and if they do, we will update this information in a prospectus supplement.

## **DESCRIPTION OF COMMON STOCK WE MAY OFFER**

*The following description of our common stock is only a summary. This description and the description contained in any prospectus supplement is subject to, and qualified in its entirety by reference to, our restated certificate of*

*incorporation and bylaws, each as amended, each of which has previously been filed with the SEC and the Delaware General Corporation Law ("DCGL").*

## **Common Stock**

Our authorized capital stock includes 50,000,000 shares of common stock, par value \$0.001 per share. As of the date of this prospectus, there are 21,720,497 shares of common stock issued, of which 21,687,164 were outstanding and 33,333 shares were held in the treasury.

Subject to preferences that may apply to preferred shares outstanding at the time, the holders of outstanding common stock are entitled to receive dividends out of assets legally available therefor at such times and in such amounts as the board of directors may from time to time determine. Each stockholder is entitled to one vote for each share of common stock held on all matters submitted to a vote of stockholders. Directors are elected by plurality vote. Therefore, the holders of a majority of the common stock voted can elect all of the directors then standing for election. The common stock is not entitled to preemptive rights and are not subject to conversion. If we are liquidated or dissolved or our business is otherwise wound up, the holders of common stock would be entitled to share ratably in the distribution of all of our assets remaining available for distribution after satisfaction of all our liabilities and the payment of the liquidation preference of any outstanding preferred shares. Each outstanding share of common stock is, and all shares of common stock to be outstanding upon completion of any offering under the registration statement of which this prospectus forms a part, will be, fully paid and nonassessable.

### **Authorized but Unissued Common Stock**

The DCGL does not require stockholder approval for any issuance of authorized shares, except in certain limited circumstances. However, the listing requirements of the NYSE MKTS, which would apply for so long as our common stock are listed on the NYSE MKTS, require stockholder approval of certain issuances (other than a public offering) equal to or exceeding 20% of the then outstanding voting power or then outstanding number of shares of common stock, as well as for certain issuances of stock in compensatory transactions. These additional shares may be used for a variety of corporate purposes, including future public offerings, to raise additional capital or to facilitate acquisitions. One of the effects of the existence of unissued and unreserved shares of common stock may be to enable our board of directors to sell shares to persons friendly to current management, for such consideration, in form and amount, as is acceptable to the board, which issuance could render more difficult or discourage an attempt to obtain control of our company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive stockholders of opportunities to sell their common stock at prices higher than prevailing market prices.

### **Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

### **DESCRIPTION OF PREFERRED STOCK AND PREFERRED STOCK WE MAY OFFER**

*The following description of the terms of our preferred stock is only a summary. This description and the description contained in any prospectus supplement is subject to, and qualified in its entirety by reference to, our restated certificate of incorporation and bylaws, each as amended, each of which has previously been filed with the SEC and the DGCL. In addition, the specific terms of any series of preferred shares will be described in the applicable prospectus supplement.*

Our restated certificate of incorporation authorizes us to issue up to 5,000,000 shares of undesignated preferred stock, par value \$0.001 per share. We may issue preferred stock from time to time in one or more series, without shareholder approval, when authorized by our board of directors. As of May 14, 2014, our board of directors had authorized 7,000 shares of Series A Stock (described below) all of which are issued and outstanding. No other shares of preferred stock were issued or are outstanding.

This section describes the general terms and provisions of the preferred stock we may offer as well as the terms of our Series A Stock which may affect other securities that we may offer by this prospectus. This information may not be complete in all respects and is qualified entirely by reference to our certificate of incorporation, with respect to each series of preferred stock, including the Series A Stock.

The specific terms of any series of preferred stock will be described in a prospectus supplement. Those terms may differ from the terms discussed below. Any series of preferred stock we issue will be governed by our certificate of incorporation and by the certificate of designations relating to that series. We will file the certificate of designations with the SEC and incorporate it by reference as an exhibit to our registration statement at or before the time we issue any preferred stock of that series.

### **Series A Convertible Preferred Stock**

In May 2014, Milestone issued 7,000 shares of Series A Convertible Preferred Stock (the “Series A Stock”), with a stated value of \$1,000 per share to an accredited investor for \$7 million in a Rule 506, Regulation D offering. The Series A Stock votes together with the common stock on an as converted basis and as a single class, except that such shares have class voting rights as to amendments to the certificate of incorporation adversely affecting the Series A Stock, increases in the number of authorized shares of Series A Stock, issuance of additional shares of Series A Stock, increases in the size of the board prior to the time the holders of the Series A Stock no longer have a right to nominate a designee for election to the board or issuance of “senior stock” or “parity stock.” The Series A Stock is also entitled to a liquidation preference equal to the greater of 100% of its \$1,000 per share stated value or the amount the Series A Stock would receive on conversion into common stock and is convertible into common stock at \$2.545 per share at the option of the holder or mandatorily convertible at this price on May 14, 2019, unless certain “threshold” prices have not been achieved prior to that date.

### **Future Classes or Series of Preferred Stock**

Our board of directors is authorized, without shareholder approval, to issue additional series of preferred stock with conversion and other rights, may adversely affect the rights of holders of our common stock or other series of preferred stock that may be outstanding.

Upon issuance of a new series of preferred stock, our board of directors is authorized, to specify:

the number of shares to be included in the series;

the annual dividend rate for the series, if any, and any restrictions or conditions on the payment of dividends;

the redemption price, if any, and the terms and conditions of redemption;

any sinking fund provisions for the purchase or redemption of the series;

if the series is convertible, the terms and conditions of conversion;

the amounts payable to holders upon our liquidation, dissolution or winding up; and

any other rights, preferences and limitations relating to the series, including voting rights.

***Specific Terms of a Series of Preferred Stock***

The new preferred stock we may offer will be issued in one or more series. The preferred stock will have the dividend, liquidation, redemption and voting rights discussed below, unless otherwise described in a prospectus supplement relating to a particular series. A prospectus supplement will discuss the following features of the series of preferred stock to which it relates:

the designations and stated value per share;

the number of shares offered;

the amount of liquidation preference per share;

the public offering price at which the preferred stock will be issued;

the dividend rate, the method of its calculation, the dates on which dividends would be paid and the dates, if any, from which dividends would cumulate;

any redemption or sinking fund provisions;

any conversion or exchange rights; and

any additional voting, dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions.



### ***Rank***

Unless otherwise stated in the prospectus supplement, the new preferred stock will have priority over our common stock with respect to dividends and distribution of assets, but will rank junior to all our outstanding indebtedness for borrowed money. Any series of preferred stock could rank senior, equal or junior to our other capital stock, as may be specified in a prospectus supplement, as long as our certificate of incorporation so permit.

### ***Dividends***

Holders of each series of newly issued preferred stock shall be entitled to receive cash dividends to the extent specified in the prospectus supplement when, as and if declared by our board of directors, from funds legally available for the payment of dividends. The rates and dates of payment of dividends of each series of preferred stock will be stated in the prospectus supplement. Dividends will be payable to the holders of record of preferred stock as they appear on our books on the record dates fixed by our board of directors. Dividends on any series of preferred stock may be cumulative or non-cumulative, as discussed in the applicable prospectus supplement.

### ***Convertibility***

Shares of a new series of preferred stock may be exchangeable or convertible into shares of our common stock, another series of preferred stock or other securities or property. The conversion or exchange may be mandatory or optional. The prospectus supplement will specify whether the preferred stock being offered has any conversion or exchange features, and will describe all the related terms and conditions.

### ***Redemption***

The terms, if any, on which shares of preferred stock of a new series may be redeemed will be discussed in the applicable prospectus supplement.

### ***Liquidation***

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of Milestone, holders of each series of newly issued preferred stock will be entitled to receive distributions upon liquidation in the amount described in the related prospectus supplement. These distributions will be made before any distribution is made on any securities ranking junior to the preferred stock with respect to liquidation, including our common stock. If the liquidation amounts payable relating to the preferred stock of any series and any other securities ranking on a parity regarding liquidation rights are not paid in full, the holders of the preferred stock of that series will share ratably in proportion to the full liquidation preferences of each security. Holders of our preferred stock will not be entitled to any other amounts from us after they have received their full liquidation preference.

### *Voting*

The holders of preferred stock of each new series will have no voting rights, except as required by law and as described below or in a prospectus supplement. Our board of directors may, upon issuance of a series of preferred stock, grant voting rights to the holders of that series to elect additional board members if we fail to pay dividends in a timely fashion.

Without the affirmative vote of a majority of the shares of preferred stock of any series then outstanding, we may not:

increase or decrease the aggregate number of authorized shares of that series;

increase or decrease the par value of the shares of that series; or

alter or change the powers, preferences or special rights of the shares of that series so as to affect them adversely.

***No Other Rights***

The shares of a new series of preferred stock will not have any preferences, voting powers or relative, participating, optional or other special rights except:

as discussed above or in the prospectus supplement;  
as provided in our certificate of incorporation and in the certificate of designations; and  
as otherwise required by law.

**DESCRIPTION OF WARRANTS WE MAY OFFER**

*The following description of warrants is only a summary. This description is subject to, and qualified in its entirety by reference to, the provisions of the applicable warrant agreement.*

We may issue warrants for the purchase of debt securities, preferred stock, common stock or units. Warrants may be issued independently or together with debt securities, preferred stock, common stock or units and may be attached to or separate from any offered securities. Any issue of warrants will be governed by the terms of the applicable form of warrant and any related warrant agreement which we will file as an exhibit to our registration statement at or before the time we issue any warrants.

The particular terms of any issue of warrants will be described in the prospectus supplement relating to the issue. Those terms may include:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies (including composite currencies) in which the price of such warrants may be payable;

the terms of the securities purchasable upon exercise of such warrants and the procedures and conditions relating to the exercise of such warrants;

the price at which the securities purchasable upon exercise of such warrants may be purchased;

the date on which the right to exercise such warrants will commence and the date on which such right shall expire;

any provisions for adjustment of the number or amount of securities receivable upon exercise of the warrants or the exercise price of the warrants;

if applicable, the minimum or maximum amount of such warrants that may be exercised at any one time;

if applicable, the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

if applicable, the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange or exercise of such warrants.

The prospectus supplement relating to any warrants to purchase equity securities may also include, if applicable, a discussion of certain U.S. federal income tax and ERISA considerations.

Warrants for the purchase of preferred stock and common stock will be offered and exercisable for U.S. dollars only.

Each warrant will entitle its holder to purchase the principal amount of debt securities or the number of shares of preferred stock, common stock or units at the exercise price set forth in, or calculable as set forth in, the applicable prospectus supplement.

After the close of business on the expiration date, unexercised warrants will become void. We will specify the place or places where, and the manner in which, warrants may be exercised in the applicable prospectus supplement.

Prior to the exercise of any warrants to purchase debt securities, preferred stock, common stock or units, holders of the warrants will not have any of the rights of holders of the debt securities, preferred stock, common stock or units purchasable upon exercise.

## **DESCRIPTION OF DEBT SECURITIES WE MAY OFFER**

*The following description of the terms of debt securities that we may issue and the related indenture, if any, is only a summary. This description and the description contained in any prospectus supplement are subject to and qualified in their entirety by reference to the applicable indentures, which will be incorporated by reference as exhibits to the registration statement of which this prospectus is a part.*

We may offer secured or unsecured debt securities in one or more series which may be senior, subordinated or junior subordinated, and which may be convertible or exchangeable into another security. Unless otherwise specified in the applicable prospectus supplement, our debt securities will be issued in one or more series under an indenture to be entered into by us and a bank or trust company. As of the date of this prospectus, we have not entered into any indenture agreements.

The following description briefly sets forth certain general terms and provisions of the debt securities. The particular terms of the debt securities offered by any prospectus supplement and the extent, if any, to which these general provisions may apply to the debt securities, will be described in the applicable prospectus supplement.

The terms of the debt securities will include those set forth in the applicable indenture and those made a part of the applicable indenture by the Trust Indenture Act of 1939, or TIA, if any. You should read this summary, the applicable prospectus supplement and the provisions of the applicable indenture or supplemental indenture, if any, in their entirety before investing in our debt securities.

The aggregate principal amount of debt securities that may be issued under the respective indentures may be unlimited. The prospectus supplement relating to any series of debt securities that we may offer will contain the specific terms of the debt securities. These terms may include the following:

the issuer or co-obligors of such debt securities;  
the guarantors of each series, if any, and the terms of the guarantees (including provisions relating to seniority, subordination and release of the guarantees), if any;  
the title and aggregate principal amount of the debt securities and any limit on the aggregate principal amount;  
whether the debt securities will be senior, subordinated or junior subordinated;  
whether the debt securities will be secured or unsecured;  
any applicable subordination provisions;  
the maturity date(s) or method for determining same;  
the interest rate(s) or the method for determining same;  
the dates on which interest will accrue or the method for determining dates on which interest will accrue and dates on which interest will be payable and whether interest shall be payable in cash or additional securities;  
whether the debt securities are convertible or exchangeable into other securities and any related terms and conditions;  
redemption or early repayment provisions;  
authorized denominations;  
form;  
if other than the principal amount, the principal amount of debt securities payable upon acceleration;

place(s) where payment of principal and interest may be made, where debt securities may be presented and where notices or demands upon the company may be made;

whether such debt securities will be issued in whole or in part in the form of one or more global securities and the date as of which the securities are dated if other than the date of original issuance;

amount of discount or premium, if any, with which such debt securities will be issued;

any covenants applicable to the particular debt securities being issued;

any defaults and events of default applicable to the particular debt securities being issued;

the currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, such debt securities will be payable;

the time period within which, the manner in which and the terms and conditions upon which the holders of the debt securities or the issuer or co-obligors, as the case may be, can select the payment currency;

our obligation or right to redeem, purchase or repay debt securities under a sinking fund, amortization or analogous provision;

any restriction or conditions on the transferability of the debt securities;

the securities exchange(s) on which the debt securities will be listed, if any;

whether any underwriter(s) will act as a market maker(s) for the debt securities;

the extent to which a secondary market for the debt securities is expected to develop;

provisions granting special rights to holders of the debt securities upon occurrence of specified events;

compensation payable to and/or reimbursement of expenses of the trustee of the series of debt securities;

provisions for the defeasance of the debt securities or related to satisfaction and discharge of the indenture;

provisions relating to the modification of the indenture both with and without the consent of holders of debt securities issued under the indenture and the execution of supplemental indentures for such series; and

any other terms of the debt securities (which terms shall not be inconsistent with the provisions of the TIA, but may modify, amend, supplement or delete any of the terms of the indenture with respect to such series debt securities).

## General

We may sell the debt securities, including original issue discount securities, at par or at a substantial discount below their stated principal amount. Unless we inform you otherwise in a prospectus supplement, we may issue additional debt securities of a particular series without the consent of the holders of the debt securities of such series or any other series outstanding at the time of issuance. Any such additional debt securities, together with all other outstanding debt securities of that series, will constitute a single series of securities under the applicable indenture.

We will describe in the applicable prospectus supplement any other special considerations for any debt securities we sell which are denominated in a currency or currency unit other than U.S. dollars. In addition, debt securities may be issued where the amount of principal and/or interest payable is determined by reference to one or more currency exchange rates, commodity prices, equity indices or other factors. Holders of such securities may receive a principal amount or a payment of interest that is greater than or less than the amount of principal or interest otherwise payable on such dates, depending upon the value of the applicable currencies, commodities, equity indices or other factors. Information as to the methods for determining the amount of principal or interest, if any, payable on any date, the currencies, commodities, equity indices or other factors to which the amount payable on such date is linked.

United States federal income tax consequences and special considerations, if any, applicable to any such series will be described in the applicable prospectus supplement. Unless we inform you otherwise in the applicable prospectus supplement, the debt securities will not be listed on any securities exchange.

We expect most debt securities to be issued in fully registered form without coupons and in denominations of U.S. \$2,000 and any integral multiples of \$1,000 in excess thereof. Subject to the limitations provided in the applicable indenture and in the prospectus supplement, debt securities that are issued in registered form may be transferred or exchanged at the designated corporate trust office of the trustee, without the payment of any service charge, other than any tax or other governmental charge payable in connection therewith.



## **Global Securities**

Unless we inform you otherwise in the applicable prospectus supplement, the debt securities of a series may be issued in whole or in part in the form of one or more global securities that will be deposited with, or on behalf of, a depositary identified in the applicable prospectus supplement. Global securities will be issued in registered form and in either temporary or definitive form. Unless and until it is exchanged in whole or in part for the individual debt securities, a global security may not be transferred except as a whole by the depositary for such global security to a nominee of such depositary or by a nominee of such depositary to such depositary or another nominee of such depositary or by such depositary or any such nominee to a successor of such depositary or a nominee of such successor. The specific terms of the depositary arrangement with respect to any debt securities of a series and the rights of and limitations upon owners of beneficial interests in a global security will be described in the applicable prospectus supplement.

## **Governing Law**

The indentures and the corresponding debt securities shall be construed in accordance with and governed by the laws of the State of Delaware.

## **DESCRIPTION OF UNITS WE MAY OFFER**

We may issue units consisting of a combination of two or more of any offered securities, at a single price or at a separate price for each security included in the unit. The securities offered may be issued separately or may be evidenced by a separate unit certificate, which may or may not trade separately. The terms and conditions governing the issuance of any units, including the form and content of any certificate evidencing the units, will be described in detail in the prospectus supplement to be filed in connection with the offering of such units.

## **PLAN OF DISTRIBUTION**

We may sell the securities offered by this prospectus to one or more underwriters or dealers for public offering, through agents, directly to purchasers or through a combination of any such methods of sale. The name of any such underwriters, dealers or agents involved in the offer and sale of the securities, the amounts underwritten and the nature of its obligation to take the securities will be specified in the applicable prospectus supplement. We have reserved the right to sell the securities directly to investors on our own behalf in those jurisdictions where we are authorized to do so. The sale of the securities may be effected in transactions (a) on any national or international securities exchange or quotation service on which the securities may be listed or quoted at the time of sale, (b) in the over-the-counter market, (c) in transactions otherwise than on such exchanges or in the over-the-counter market or (d) through the writing of options.

We and our agents and underwriters, may offer and sell the securities at a fixed price or prices that may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. The securities may be offered on an exchange, which will be disclosed in the applicable prospectus supplement. We may, from time to time, authorize dealers, acting as our agents, to offer and sell the securities upon such terms and conditions as set forth in the applicable prospectus supplement.

If we use underwriters to sell securities, we will enter into an underwriting agreement with them at the time of the sale to them. In connection with the sale of the securities, underwriters may receive compensation from us in the form of underwriting discounts or commissions and may also receive commissions from purchasers of the securities for whom they may act as agent. Any underwriting compensation paid by us to underwriters or agents in connection with the offering of the securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, will be set forth in the applicable prospectus supplement to the extent required by applicable law.

Underwriters may sell the securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters or commissions (which may be changed from time to time) from the purchasers for whom they may act as agents.

Dealers and agents participating in the distribution of the securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the securities may be deemed to be underwriting discounts and commissions under the Securities Act. Unless otherwise indicated in the applicable prospectus supplement, an agent will be acting on a best efforts basis and a dealer will purchase debt securities as a principal, and may then resell the debt securities at varying prices to be determined by the dealer.

If so indicated in the prospectus supplement, we will authorize underwriters, dealers or agents to solicit offers by certain specified institutions to purchase offered securities from us at the public offering price set forth in the prospectus supplement pursuant to delayed delivery contracts providing for payment and delivery on a specified date in the future. Such contracts will be subject to any conditions set forth in the applicable prospectus supplement and the prospectus supplement will set forth the commission payable for solicitation of such contracts. The underwriters and other persons soliciting such contracts will have no responsibility for the validity or performance of any such contracts.

Underwriters, dealers and agents may be entitled, under agreements entered into with us, to indemnification against and contribution towards certain civil liabilities, including any liabilities under the Securities Act.

To facilitate the offering of securities, certain persons participating in the offering may engage in transactions that stabilize, maintain, or otherwise affect the price of the securities. These may include over-allotment, stabilization, syndicate short covering transactions and penalty bids. Over-allotment involves sales in excess of the offering size, which creates a short position. Stabilizing transactions involve bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate short covering transactions involve purchases of securities in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriters to reclaim selling concessions from dealers when the securities originally sold by the dealers are purchased in covering transactions to cover syndicate short positions. These transactions may cause the price of the securities sold in an offering to be higher than it would otherwise be. These transactions, if commenced, may be discontinued by the underwriters at any time.

Any securities other than our common stock issued hereunder may be new issues of securities with no established trading market. Any underwriters or agents to or through whom such securities are sold for public offering and sale may make a market in such securities, but such underwriters or agents will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the liquidity of the trading market for any such securities. The amount of expenses expected to be incurred by us in connection with any issuance of securities will be set forth in the applicable prospectus supplement. Certain of the underwriters, dealers or agents and their associates may engage in transactions with, and perform services for, us and certain of our affiliates in the ordinary course of business.

During such time as we may be engaged in a distribution of the securities covered by this prospectus we are required to comply with Regulation M promulgated under the Exchange Act. With certain exceptions, Regulation M precludes us, any affiliated purchasers, and any broker-dealer or other person who participates in such distribution from bidding for or purchasing, or attempting to induce any person to bid for or purchase, any security which is the subject of the distribution until the entire distribution is complete. Regulation M also restricts bids or purchases made in order to stabilize the price of a security in connection with the distribution of that security. All of the foregoing may affect the marketability of our shares of common stock.

To the extent required, this prospectus may be amended or supplemented from time to time to describe a specific plan of distribution.

## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Our certificate of incorporation provides that a director will not be personally liable to us or to our stockholders for monetary damages for breach of the fiduciary duty of care as a director, including breaches which constitute gross negligence. This provision does not eliminate or limit the liability of a director:

for breach of his or her duty of loyalty to us or to our stockholders;  
for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; under Section 174 of the DGCL (relating to unlawful payments or dividends or unlawful stock repurchases or redemptions);  
for any improper benefit; or  
for breaches of a director's responsibilities under the federal securities laws.

Our certificate of incorporation also provides that we indemnify and hold harmless each of our directors and officers to the fullest extent authorized by the DGCL, against all expense, liability and loss (including attorney's fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of Milestone, pursuant to the forgoing provisions or otherwise, Milestone has been informed that in the opinion of the SEC such indemnification by it is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

## **INTERESTS OF NAMED EXPERTS AND COUNSEL**

The validity of the securities being offered by this prospectus will be passed upon for us by Morse, Zelnick, Rose & Lander, LLP, 825 Third Avenue, New York, NY 10022. A partner in Morse, Zelnick, Rose & Lander, LLP owns 22,333 shares of Milestone common stock.

Baker Tilly Virchow Krause, LLP, an independent registered public accounting firm, has audited our consolidated financial statements for 2014 and 2015 included in our 2015 Annual Report, as set forth in their report, which is

incorporated by reference in this Prospectus and elsewhere in the registration statement. Our consolidated financial statements for 2014 and 2015 are incorporated by reference in reliance on Baker Tilly Virchow Krause, LLP's report, given on their authority as experts in accounting and auditing.