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To our Shareholders:

One need only turn on the television or open the newspaper to recognize we're living through challenging times. Yet, 2008 has been a year of continued prosperity, promise, and potential for MedPro, a demonstration that spry, nimble players can accomplish great things, even amidst a backdrop of mass upheaval. I would like to take this opportunity to recap some of our achievements and developments from the past year, underscore the importance of some of the company's governing philosophy, and reflect on our plan for the road ahead.

**Recent Milestones, IP Portfolio, and Future Outlook**

MedPro Safety Products, Inc. went public in December 2007 with a goal to provide liquidity for our shareholders and strengthen our balance sheet through public equity financing. Operating within these new parameters as a publicly traded company and implementing a revamped strategic business plan, in 2008 the company signed a multi-year, multi-million dollar guaranteed contract with Greiner Bio-One International AG, the world's largest plastic blood collection tube manufacturer, and successfully raised a total of \$29 million through Vision Capital Advisors. These events represent significant milestones for MedPro and are a testament to the products that we have created and the future of our company.

Apart from MedPro's innovative medical safety devices, the vision and direction of the company's business plan has always been founded upon the value of our strategic partnerships—specifically, the ability of our strategic partners to bring MedPro products to market quickly.

In 2008, MedPro expanded its existing contract with Greiner Bio-One International to include exclusive worldwide manufacturing, marketing, and distribution rights for our tube- and skin-activated blood collection system and winged "butterfly" safety needle system. Each of these agreements extends for a six-year term from the commencement of initial commercial manufacturing of the applicable product.

Underscoring Greiner's commitment to MedPro's medical safety devices, Greiner also announced an investment in a new manufacturing facility located in Rainbach, Austria. Taken together, these agreements and developments extend Greiner's commitment to MedPro's blood collection safety devices to facilitate and complement its sale of blood collection tubes, equipment, and analytic services, and can only accelerate global market exposure of MedPro and its products.

In September 2008, MedPro retained the Investor Relations Group (IRG), a highly regarded New York-based corporate communications firm, as our investor relations and public relations agency. IRG has initiated a full-service IR and PR program to introduce the company to targeted members of the investment community, as well as educate the media and the public-at-large about our story.

In October 2008, MedPro achieved its 13485 ISO certification, a particularly important designation that confirms that the company meets international standards for medical device manufacturing. The registration provides recognition that our processes are fully compliant with market expectations for quality medical device production and performance. This certification, known as ISO 13485, “Medical devices - Quality management systems - Requirements for regulatory purposes,” has become the global standard for those involved in the manufacturing of medical devices. Although Greiner Bio-One will manufacture our tube- and skin-activated blood collection system and winged “butterfly” safety needle system, MedPro will reserve the opportunity to manufacture the other products in our pipeline.

The past year has borne out the wisdom of management’s early commitment to developing a robust IP portfolio. As MedPro continues to develop products for four key market segments—phlebotomy, clinical, intravenous, and pharma—it is important to note that the company has the potential to develop a number of additional products from our existing IP patents. In a landscape littered with one-hit wonders, MedPro’s robust IP portfolio will help ensure the company’s future relevance, viability, and continued growth.

### **The Talent In The Room**

In January 2009, company shareholders elected me and the following individuals to serve one-year terms on MedPro’s board of directors:

- Dr. Ernest L. Fletcher, former Governor of the Commonwealth of Kentucky and U.S. Congressman
- W. Leo Kiely III, Chief Executive Officer of MillerCoors
- Gary A. Peterson, President and Chief Executive Officer of BATON Development Inc., a virtual incubator for new medical products
- Warren Rustand, managing partner of SC Capital Partners LLC
- Walter W. Weller, President and Chief Operating Officer of MedPro

We believe the level of talent we have secured for our board is a testament to MedPro, the quality of the products we have delivered, the rigor of our business plan, and our market potential. Our bench is as deep as our collective management experience is wide. I have always believed that the true measure of a company’s worth is the talent, dedication, and seriousness of intent of the people that comprise it and that extends to you, our valued shareholders, whom we sincerely thank for your steadfastness and continued support.

Yours truly,



Craig Turner  
Chairman and CEO

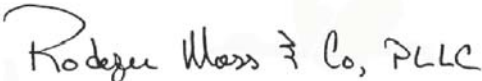
## Report of Independent Registered Public Accounting Firm

To the Board of Directors and  
Shareholders of MedPro Safety Products, Inc.:

We have audited the accompanying balance sheets of MedPro Safety Products, Inc. as of December 31, 2008 and 2007, and the related statements of operations, shareholders' deficiency and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MedPro Safety Products, Inc. as of December 31, 2008 and 2007, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Rodefer Moss & Co, PLLC

Knoxville, Tennessee  
March 30, 2009

MEDPRO SAFETY PRODUCTS, INC.  
Balance Sheets  
December 31, 2008 and 2007

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>ASSETS</b>		
Current Assets		
Cash	\$ 11,636,843	\$ 6,341,132
Accounts receivable, net of allowance of \$15,837 for 2008	-	22,801
Note Receivable - Vision Opportunity Master Fund, Ltd		2,000,000
Inventory	288,414	545,956
Due from SGPF, LLC	-	24,089
Prepaid expenses and other current assets	9,350	2,026
Prepaid investor relation costs	228,660	-
Prepaid costs of automation equipment	<u>452,855</u>	<u>200,000</u>
Total current assets	<u>12,616,122</u>	<u>9,136,004</u>
Property and Equipment		
Equipment and tooling	751,725	840,750
Leasehold improvements	114,831	44,764
Computers, network and phones	126,061	90,800
Furniture and fixtures	81,213	40,628
Trade show booth	<u>7,341</u>	<u>7,341</u>
	1,081,171	1,024,283
Less: accumulated depreciation	<u>146,680</u>	<u>105,662</u>
Property and equipment, net	<u>934,491</u>	<u>918,621</u>
Other Assets		
Intangible assets	9,109,547	3,067,442
Conditional License Agreement	-	3,000,000
Deferred financing costs	<u>97,489</u>	<u>139,261</u>
Total other assets	<u>9,207,036</u>	<u>6,206,703</u>
Total assets	<u>\$ 22,757,649</u>	<u>\$ 16,261,328</u>

**See notes to financial statements**

MEDPRO SAFETY PRODUCTS, INC.  
Balance Sheets (Continued)  
December 31, 2008 and 2007

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 261,325	\$ 2,156,147
Accrued interest payable	34,276	539,549
Current portion of long term debt	3,262,660	2,358,089
Deferred revenue	464,900	-
Notes payable to and advances from shareholders	383,333	2,659,361
Current portion of technology transfer payments - Visual Connections, Inc.	<u>2,000,000</u>	<u>-</u>
Total current liabilities	<u>6,406,494</u>	<u>7,713,146</u>
Long-Term Liabilities		
Notes payable - long term portion	2,607,435	4,569,192
Non-current portion of technology transfer payments - Visual Connections, Inc.	<u>250,000</u>	<u>-</u>
	<u>2,857,435</u>	<u>4,569,192</u>
Total liabilities	<u>9,263,929</u>	<u>12,282,338</u>
Shareholders' Equity		
Preferred stock \$.01 par value: 10,000,000 shares authorized:		
Series A Preferred		
6,668,229 shares issued and outstanding. Liquidation preference \$610,260 and \$4,975, respectively.	66,682	66,682
Series B Preferred		
1,493,779 and 0 shares issued and outstanding, respectively.	14,938	-
Common stock		
\$.001 par value; 90,000,000 shares authorized; 13,320,366 and 13,285,072 shares issued and outstanding, respectively.	13,320	13,285
Additional paid-in capital	43,667,689	27,628,366
Unearned share-based compensation	(21,885)	(21,885)
Accumulated deficit	<u>(30,247,024)</u>	<u>(23,707,458)</u>
Total shareholders' equity	<u>13,493,720</u>	<u>3,978,990</u>
Total liabilities and shareholders' equity	<u>\$ 22,757,649</u>	<u>\$ 16,261,328</u>

**See notes to financial statements**

MEDPRO SAFETY PRODUCTS, INC.  
Statements of Operations  
For the Years ended December 31, 2008 and 2007

	<u>For the Year Ended</u> <u>December 31, 2008</u>	<u>For the Year Ended</u> <u>December 31, 2007</u>
Sales		
Needlyzer	\$ 1,180	\$ 34,656
Safe-Mate	17,948	63,393
Automation Services & Equipment	<u>2,235,100</u>	<u>-</u>
Total sales	2,254,228	98,049
 Cost of Goods Sold and Automation	 <u>245,724</u>	 <u>10,097</u>
 Gross profit	 <u>2,008,504</u>	 <u>87,952</u>
 Operating Expenses		
Salaries, wages, and payroll taxes (including \$2,693,250 of share-based compensation)	3,909,255	494,532
Qualified profit sharing plan	151,131	-
Advertising and promotion	204,286	-
Product development costs	425,344	115,345
Professional and insurance	1,616,254	471,860
General and administrative	634,954	802,047
Travel and entertainment	372,843	197,302
Inventory write down	294,877	34,987
Depreciation and amortization	117,165	78,039
Other and loss on disposal of assets	<u>202,494</u>	<u>-</u>
Total operating expenses	<u>7,928,603</u>	<u>2,194,112</u>
 Loss from operations	 <u>(5,920,099)</u>	 <u>(2,106,160)</u>
 Other Income (Expenses)		
Interest expense	(795,083)	(1,168,447)
Other Income (Expenses)		14,607
Income from debt forgiveness	113,069	
Interest income	<u>62,547</u>	<u>7,400</u>
 Total other income (expenses)	 <u>(619,467)</u>	 <u>(1,146,440)</u>
 Provision for income taxes	 <u>-</u>	 <u>-</u>
 Net loss	 <u>(6,539,566)</u>	 <u>(3,252,600)</u>
 Preferred Stock:		
Deemed dividend on embedded conversion feature	<u>-</u>	<u>(3,975,120)</u>
Net loss attributable to common shareholders	<u>\$ (6,539,566)</u>	<u>\$ (7,227,720)</u>

Net Loss per share

Basic and diluted net loss per share	\$ <u>                    (0.49)</u>	\$ <u>                    (0.68)</u>
Shares used in computing earnings per share		
Weighted average number of shares outstanding - basic and diluted	<u>                    13,285,168</u>	<u>                    10,579,301</u>

**See notes to financial statements.**

**MEDPRO SAFETY PRODUCTS, INC.**  
**Statements of Shareholders' Equity/(Deficiency)**  
**For the Years ended December 31, 2008 and 2007**

	<u>Common Stock</u>		<u>Preferred Stock</u>		<u>Unearned Compensation</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficiency</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
Balance, December 31, 2006	10,360,494	\$ 10,361	-	-	-	\$ 11,048,327	\$(16,479,739)	\$(5,421,051)
Reverse split of common shares in merger with Vacumate LLC	(6,216,297)	-	-	-	-	-	-	-
Common shares issued to Vacumate LLC members in merger	6,216,297	-	-	-	-	-	-	-
Common shares issued in conversion of debt	216,347	216	-	-	-	309,764	-	309,980
Common shares issued for debtholder forbearance	7,641	8	-	-	-	(8)	-	-
Common shares issued for cash	700,272	700	-	-	-	749,300	-	750,000
Common shares of DentalServ.com shareholders assumed in the merger	1,406,387	1,406	-	-	-	(1,406)	-	-
Series A preferred shares issued for cash, net of issuance costs of \$1,407,340	-	-	6,668,229	66,682	-	11,525,978	-	11,592,660
Common shares issued in connection with issuance costs of preferred stock	593,931	594	-	-	-	(594)	-	-
Common shares issued for future services	-	-	-	-	(21,885)	21,885	-	-
Deemed dividend on imbedded conversion feature in preferred stock	-	-	-	-	-	3,975,120	(3,975,120)	-
Net loss	-	-	-	-	-	-	(3,252,599)	(3,252,599)
<b>Balance, December 31, 2007</b>	<b>13,285,072</b>	<b>13,285</b>	<b>6,668,229</b>	<b>66,682</b>	<b>(21,885)</b>	<b>27,628,366</b>	<b>(23,707,458)</b>	<b>3,978,990</b>
Series B Convertible Preferred shares issued for cash	-	-	1,493,779	14,938	-	13,010,815	-	13,025,753
Options granted to employees and Directors	-	-	-	-	(14,580,000)	14,580,000	-	-
Earned portion of employee and director options	-	-	-	-	2,693,250	-	-	2,693,250
Unearned portion of share based compensation	-	-	-	-	11,886,750	(11,886,750)	-	-
Common shares issued in exchange for services	35,294	35	-	-	-	335,258	-	335,293
Net loss	-	-	-	-	-	-	(6,539,566)	(6,539,566)
<b>Balance, December 31, 2008</b>	<b>13,320,366</b>	<b>\$ 13,320</b>	<b>8,162,008</b>	<b>\$ 81,620</b>	<b>\$ (21,885)</b>	<b>\$ 43,667,689</b>	<b>\$(30,247,024)</b>	<b>\$ 13,493,720</b>

**See notes to financial statements.**

MEDPRO SAFETY PRODUCTS, INC.  
 Statements of Cash Flows  
 For the Years ended December 31, 2008 and 2007

	<u>December 31, 2008</u>	<u>December 31, 2007</u>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (6,539,566)	\$ (3,252,599)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation	75,393	33,967
Amortization of financing costs	41,772	44,072
Write off of prepaid automation	200,000	-
Loss on abandonment of fixed assets	202,494	-
Write down of inventory to lower of cost or market	294,877	-
Charge off of prepaid license fee to legal expenses	700,000	-
Stock issued for interest	-	99,880
Stock issued for services	335,293	-
Write down of intellectual property	-	300,000
Share based compensation	2,693,250	-
Changes in operating assets and liabilities		
Accounts receivable	22,525	(18,225)
Inventory	(37,336)	(30,943)
Other current assets	(686,732)	43,628
Accounts payable and accrued expense	(1,431,752)	1,325,116
Accrued interest payable	<u>(105,272)</u>	<u>(36,673)</u>
Net cash flows from operating activities	<u>(4,235,054)</u>	<u>(1,491,777)</u>
<b>Cash Flows From Investing Activities</b>		
Advances (to)/from SGPF, LLC	24,089	(24,089)
Proceeds from cancellation/(payment for) license agreement	2,300,000	(3,000,000)
Purchase of intangible assets	(3,845,000)	(52,895)
Purchases of property, equipment	<u>(293,756)</u>	<u>(635,153)</u>
Net cash flows from investing activities	<u>(1,814,667)</u>	<u>(3,712,137)</u>
<b>Cash Flows From Financing Activities</b>		
Shares issued for cash	-	750,000
Collection of notes receivable	2,000,000	-
Payment of bank fees	(150,000)	-
Proceeds from bank borrowings	5,975	1,317,500
Repayments on bank borrowings	(1,063,160)	(83,314)
Proceeds from notes payable to and advances from shareholders	61,778	(91,754)
Payments on notes payable to and advances from shareholders	(2,534,912)	-
Net cash from issuance of preferred shares	<u>13,025,751</u>	<u>9,592,660</u>
Net cash flows from financing activities	<u>11,345,432</u>	<u>11,485,092</u>
Net increase in cash	5,295,711	6,281,178
Cash at the beginning of the period	<u>6,341,132</u>	<u>59,954</u>
Cash at the end of the period	<u>\$ 11,636,843</u>	<u>\$ 6,341,132</u>

Supplemental Disclosures of Cash Flow Information:

Cash paid for interest	\$ <u>975,267</u>	\$ <u>1,255,240</u>
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Non-cash financing activities :

Accrual for purchase of intangible assets	\$ <u>2,250,000</u>	\$ <u>-</u>
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**See notes to financial statements.**

MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business** – MedPro Safety Products, Inc (“MedPro” or the “Company”) is located in Lexington, Kentucky and engages in the business of selling medical equipment that protects the public from needle stick injuries and enhances the safety of patients and medical professionals in the healthcare industry. MedPro has developed and/or acquired proprietary and unique technology that management believes will deliver the highest level of risk reduction technology to the industry.

Unless indicated otherwise, share amounts have been adjusted to reflect the effect of the January 2007 merger with Vacumate LLC and the December 2007 merger with Dentserv.com, both described below.

MedPro was originally incorporated in Kentucky in 1995 and changed its corporate domicile to Delaware in 1999. On January 10, 2007, MedPro merged with Vacumate LLC, a limited liability company in which MedPro shareholders, including its Chairman, owned a controlling interest. Vacumate LLC was formed in March 2003 to re-acquire patents for the Vacumate technology after the Company defaulted on its financial obligations under an earlier agreement to acquire the patents. To retain the opportunity to develop the technology when it had limited capital resources, MedPro entered into an agreement to develop the Vacumate technology in exchange for a 40% interest in Vacumate LLC.

The January 2007 merger combined Vacumate LLC and the Company in a manner that gave the equity owners of each party value in the combined Company equivalent to the value held in each of the predecessor companies. In the merger:

- each of the 60 ownership units of Vacumate LLC held by owners other than MedPro converted automatically into approximately 103,651 shares of the common stock of the combined Company (totaling approximately 6,219,000 shares); and
- each of the shares of MedPro common stock issued and outstanding immediately before the effective time was reduced to approximately 0.18 shares of the common stock of the combined Company (totaling approximately 4,419,000 shares).

On December 28, 2007, the Company completed a reverse takeover merger with Dentserv.com (“DRSV”), a Nevada corporation with nominal assets and no active business whose shares were registered under the Securities Exchange Act, resulting in MedPro becoming a public company. The reverse takeover merger was a condition to a concurrent \$13 million investment by Vision Opportunity Master Fund, Ltd. (“VOMF”) and three Sands Brothers Venture Capital Funds (“Sands Funds”) under the terms of the preferred stock purchase agreement among MedPro and those purchasers.

The following transactions occurred concurrently in connection with the reverse takeover merger:

- The approximately 5.6 million then outstanding common shares of DRSV were combined into approximately 1.4 million common shares in a 1-for-4 reverse stock split.
- VOMF and the Sands Funds were issued a total of 6,668,229 shares of convertible preferred stock and warrants to purchase common shares for a purchase price of \$13,000,000.
- The 24,829,118 common shares owned by the MedPro shareholders immediately before the merger were converted into 11,284,696 shares of DRSV, and DRSV was renamed “MedPro Safety Products, Inc.”

VOMF purchased 5,129,407 preferred shares and related warrants for \$10,000,000 in cash and 1,025,881 preferred shares and related warrants for a \$2,000,000 promissory note due March 31, 2008. The Sands Funds purchased the remaining preferred shares and warrants for a total of \$1,000,000 in cash. VOMF paid its promissory note in full on March 3, 2008.

VOMF and the Sands Funds were issued one Series “A” warrant and one Series “B” warrant for each share of preferred stock they purchased. Both the “A” and “B” Warrants have a five-year term expiring on December 28, 2012. The “A” warrants are exercisable for 6,668,229 common shares at \$1.81 per share and the “B” warrants

MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

are exercisable for 6,668,229 common shares at \$1.99 per share. VOMF was also issued Series “J” warrants exercisable for 5,975,116 common shares at \$2.18 per share that expire on December 28, 2008, and Series “C” warrants, exercisable for 5,976,116 common shares at \$2.18 per share, that expire on December 28, 2012. The “C” warrant becomes exercisable only to the extent the “J” warrant is exercised.

In addition, for advisory services in connection with the transactions, SC Capital Partners, LLC was issued 593,931 common shares and a warrant to purchase 533,458 common shares and received a cash fee based on 8% of the \$13,000,000 capital raised. The initial installment of \$880,000 was paid on December 28, 2007 and the balance of \$160,000 was paid in March 2008 after VOMF paid the \$2,000,000 note. The warrant issued to SC Capital Partners is exercisable for \$1.81 per share.

See Note 10 for details on the valuation of the various warrants.

The following table summarizes the transactions in which the Company issued common shares during 2006 and 2007:

Transaction	2006(1) (# of shares)	2007 (# of shares)
Shares issued for services (directors and officer fees)	204,524	-
Shares issued for debt	1,846,552	216,347
Shares issued for debtholder forbearance	-	7,641
Shares issued to acquire assets	727,549	-
Combination of shares in Vacumate merger (reverse stock split)	-	(6,216,297)
Issuance of shares in Vacumate merger	-	6,216,297
Shares issued for cash	-	700,272
Shares issued in Dentalserv.com merger	-	1,406,387
Shares issued as advisory fee	-	593,931

(1) Share amounts for 2006 are presented before the effect of the Vacumate merger, in which each outstanding share was converted into .4 of a share.

**Principles of Consolidation** –The Company applies FIN 46(R), “Consolidation of Variable Interest Entities,” and FASB 141 in its principles of consolidation. FIN 46(R) addresses arrangements where a company does not hold a majority of the voting or similar interests of a variable interest entity (VIE). Under FIN 46(R) a company must consolidate a VIE if it is determined that it is the primary beneficiary.

During the year ended December 31, 2006, substantially all of the equity interests of MedPro and Vacumate were held under common ownership. MedPro also held a direct equity ownership of 40 percent of Vacumate and had provided all management functions for Vacumate under an agency agreement since Vacumate’s inception. The January 10, 2007 merger between MedPro and Vacumate was approved in principle by MedPro’s Board of Directors and the members of Vacumate on August 24, 2006 and approved by the shareholders of MedPro on January 10, 2007. As a result of the common management, ownership, and operations, the financial statements of MedPro include the accounts of both MedPro and Vacumate. Inter-company balances and transactions have been eliminated in consolidation.

On December 28, 2007, the Company completed a reverse takeover merger with DRSV, a Nevada corporation with nominal assets and no active business whose shares were registered under the Securities Exchange Act, resulting in MedPro becoming a public company. The reverse takeover merger was a condition to a concurrent \$13 million investment by VOMF and the Sands Funds under the terms of the preferred stock purchase agreement

MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

among MedPro and those purchasers. MedPro was the survivor of the merger for accounting purposes, although the Delaware corporation went out of existence. The reverse merger and investment by the VOMF and the Sands Funds were accounted for as capital transactions in which:

- MedPro issued 1,406,387 shares of its common stock to the DRSV shareholders for the net monetary assets of the shell corporation;
- MedPro issued 6,668,229 shares of convertible preferred stock and warrants to purchase 25,820,150 common shares to the investors for \$13,000,000; and
- MedPro issued 593,931 shares of common stock and warrants to purchase 533,458 shares of common stock and also paid \$1,040,000 in cash as an advisory fee.

The warrants, which are exercisable at prices ranging from \$1.81 to \$2.18 per common share, were valued according to the Black-Scholes method, based on the assumptions described in Note 11. MedPro also increased its retained deficit by \$3,975,120 and increased additional paid in capital by the same amount effective on December 28, 2007 to reflect the intrinsic value of the right to convert the Series A Stock into common stock, as described in Note 10. The \$3,975,120 amount represents the difference between the liquidation value of the preferred stock and the value of the warrants. Because the Series A Stock is convertible immediately upon issuance, the entire amount was charged to retained earnings as a deemed dividend and an increase to additional paid in capital.

**Basis of Presentation** – The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company has incurred recurring losses from operations, resulting in negative cash flows from operations and an accumulated deficit of \$(30,247,024) at December 31, 2008. Management's plan for the Company to meet its cash flow needs through the end of 2009 and to ultimately achieve profitability is discussed below.

The Company has historically depended on borrowings to fund operations. See Notes 4, 5, and 7 for details of the Company's debt. Its Chairman has personally guaranteed up to \$5.8 million of the Company's bank debt. In return, the Company agreed to pay its Chairman a \$250,000 fee annually until the note is paid or the guarantee is released. The guarantee fees have been expensed as incurred.

The Company received net proceeds of approximately \$11.6 million in cash from its sale of preferred stock discussed above. The Company has also entered into agreements with a European-based medical company providing for the distribution and sale of three of the Company's blood collection safety products. The agreement for two of the products provides for the sale of a minimum of 275 million units for approximately \$33 million over a five-year period beginning when product shipments commence. The agreement for the third product provides for the sale of a minimum of 75 million units for approximately \$11.2 million over a five-year period beginning when product shipments commence.

In September and October of 2008 the Company received proceeds of \$13.0 million from the sale of Series B Preferred Stock to two preferred stockholders. The Company also collected \$2.3 million from the cancellation of its license agreement with an Australian company. Finally, the Company received \$2.7 million as fees and advances in connection with the services being performed in connection with the distributor of its blood collection products. Management believes these funds will provide adequate funding through 2009.

**Accounting Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Revenues and Costs Recognition** – The Company historically derived its revenues from the sales of dental needles and needle destruction equipment. Revenues in 2008 were derived from occasional sales of the needle destruction device and sales of safety dental needle through the first half of the year. Revenues and accounts receivable under our contracts and within existing customer relationships are recognized when the price has been fixed, delivery has occurred and collectability is reasonably assured. The Company expects to begin shipping the Vacuette® tube activated product and anticipates generating revenue from its tube-activated Vacuette® device during the fourth quarter of 2009. Design and development issues have delayed production. The Company completed its ISO 13485 Quality Plan and Registration process was completed in 2008 and expects to complete a large validation and verification build of the tube activated product in June 2009.

In 2008, the Company recognized income from program fees paid under the terms of its two distribution agreements with a worldwide medical products company to manufacture and distribute three medical safety products. The parties entered into the agreements in July 2008. The distributor agreed to purchase minimum annual quantities of both models of our safety needles and our winged blood collection set over a five-year term for royalties totaling over \$43 million under both agreements. The agreements initially provided for the Company to receive payments for designing and constructing the automated production lines for manufacturing the products, payable in installments beginning on October 1, 2008 upon the achievement of certain milestones leading to validation of the final production line. We received initial payments totaling \$2.7 million on October 3, 2008 upon delivery and acceptance of the initial design plan by the distributor.

In November 2008 the distributor decided to complete the automation line with its own personnel in its European facilities. Although amendments to the two distribution agreements have not been finalized, the parties have agreed to allocate the \$2,700,000 payment made in October 2008 to pay a \$1,000,000 program fee under each of the agreements for the Company's forbearance from offering certain of its products to other manufacturers and distributors. The balance of \$700,000 was an advance for expenses incurred by the Company for automation assistance provided and equipment acquired on behalf of the distributor.

The distribution agreements provide that the Company must deliver multiple services (multiple elements). The Company earns "program fees" for its forbearance from offering its products to other manufacturers and distributors and the delivery of an initial design plan. The Company also participates in the validation of automated production lines to manufacture the products subject to the forbearance arrangement. Finally, the Company is entitled to royalty payments based upon the greater of minimum unit production levels or actual future production. In accounting for these arrangements, the Company considered the guidance in AICPA Statement of Position 81-1, "Accounting for Performance of Construction-Type and Certain Production-Type Contracts", and the Financial Accounting Standards Board's Emerging Issues Task Force No. 00-21, "Revenue Arrangements with Multiple Deliverables." In applying this guidance, the Company generally limits the amount of revenue it recognizes from these types of arrangements to amounts that are not contingent on additional deliveries.

Cost of goods sold includes all direct production costs and shipping and handling costs. General and administrative costs are charged to the appropriate expense category as incurred.

**Accounts Receivable** – As is customary in the industry, the Company does not require collateral from customers in the ordinary course of business. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollected amounts through a charge to earnings and a credit to the allowance for doubtful accounts based on its assessment of the current status of individual accounts. An allowance for doubtful accounts of \$15,837 was recorded at December 31, 2008. The Company does not accrue finance charges on its past due accounts receivable. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

**Inventory** – Inventory consists primarily of Needlyzer devices, which are carried at the lower of cost or market value on a first-in first-out basis.

MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Property and Equipment** – Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization for assets placed in service is provided using the straight line method over their estimated useful lives. The cost of normal maintenance and repairs is charged against earnings. Expenditures which significantly increase asset values or extend useful lives are capitalized. The gain or loss on the disposition of property and equipment is recorded in the year of disposition.

**Intangible Assets** – Intangible assets consist principally of intellectual properties such as regulatory product approvals and patents. Intangible assets are amortized using the straight line method over their estimated period of benefit, ranging from one to ten years upon being placed in full production. We evaluate the recoverability of intangible assets periodically and take into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment exists. Management elected to charge off the \$300,000 acquisition cost of the Safe-Mate intellectual property and patent in 2007. The charge was recorded in General and Administrative expense on the Statement of Operations. The product has never achieved the level of commercial success hoped for by management and its patent protection expired in 2008. No other material impairments of intangible assets have been identified during any of the periods presented. Amortization was immaterial for all periods presented. Amortization of the Vacumate technology will begin when commercial shipments begin in late 2009. Management believes that future revenue from an existing minimum volume contract for this product insures that the carrying value of this asset is not impaired.

The Key-Lok intellectual property intangible asset acquired in 2006 is still in the process of being evaluated for reintroduction into the marketplace. Since no sales or contracts have been signed, management has elected to delay the start of amortization based on no units of production experience. Management expects future revenue to be sufficient on this product to avoid any impairment adjustment as of December 31, 2008.

On December 31, 2007, the Company purchased an option for \$3,000,000 from Unilife Medical Solutions Ltd. of Australia to negotiate an exclusive license agreement to market Unilife safety syringes in the United States. The Company originally recorded the option on its balance sheets until such time that Unilife either granted the license or refunded the option payment. In 2008, the parties agreed to terminate the license agreement, and Unilife refunded the \$2,300,000 option payment and retained \$700,000 as reimbursement for legal and related expenses incurred in connection with strategic initiatives between the two parties. The Company expensed the \$700,000 as legal expenses.

On August 24, 2007, MedPro entered into a Technology Development and Option Agreement with SGPF, LLC. MedPro's Chairman owns all of the equity units of SGPF, which was established to acquire technology underlying a family of prefilled safety syringe products (the "Blunt Technology") that MedPro believed had potential for successful commercialization, at a time when MedPro did not have the financial resources to acquire the technology and risked losing the opportunity to other interested parties.

To acquire the Blunt Technology, SGPF paid an initial transfer payment of \$250,000 and agreed to pay the seller transfer payments totaling \$2,750,000 in installments over three years beginning in 2007. SGPF also agreed to pay a royalty of 5% of on the first \$250,000 of adjusted gross sales of products using the Blunt Technology in any calendar year, and 4% of the adjusted gross sales of such products for the remainder of the year.

MedPro's agreement with SGPF provides that MedPro will direct the development of the Blunt Technology with the objective of fully commercializing it as quickly as possible, and will pay up to \$375,000 towards the cost of development. MedPro also acquired the option to purchase the Blunt Technology from SGPF for the following purchase price:

- \$2,500,000 payable in cash to SGPF;
- assumption of the \$2,750,000 in patent transfer payments payable by SGPF, including reimbursement of any installments previously paid by SGPF; and

MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- \$2,500,000 payable in common stock to be issued to SGPF, based on a value of \$1.81 per common share, which was the valuation agreed upon in MedPro’s agreement with its preferred stockholders.

MedPro also agreed to assume SGPF’s obligation to pay the royalties on sales of any products based on the Blunt Technology.

On September 30, 2008, MedPro exercised the option to purchase patents and related rights to anti-blunting syringe technology. The purchase price was \$3,345,000 payable in cash and the contingent issuance of 690,608 shares of our common stock. MedPro paid \$1,113,444 of the cash portion of the purchase price before the end of September 2008 and the balance of \$2,231,556 was paid in October. The share-based component of the purchase price is due upon the collection of \$5,000,000 in sales revenue from the products, the sale or license of all or part of the product to a third party or the change in control of MedPro. The purchase price and share component of the agreement were renegotiated in September in connection with the commitment of our principal preferred stockholder to exercise the J warrants in exchange for Preferred Series B shares. We assumed the remaining \$1,500,000 of patent payments that were due after the time we exercised our option.

In June 2008, MedPro entered into an agreement with Visual Connections, Inc. and Mr. Asbaghi to acquire the patents, patent applications and related rights to the technology underlying the Vacuette® Premium Winged Safety Blood Collection Set. Visual Connections transferred its interest to us upon execution of the agreement, and we paid an initial transfer payment of \$250,000 shortly after we entered into our agreement with a customer for the production and distribution of the product. We also agreed to pay transfer payments totaling \$1,250,000 in five quarterly installments, which began in October 2008, as well as a royalty of 4% of the adjusted gross sales of the product. The agreement also grants MedPro a right of first refusal to negotiate an agreement for the rights to commercialize any additional Visual Connections products in the future.

Our technology transfer obligations at December 31, 2008, relating to both the Blunt and winged blood collection technologies, were as follows:

Quarter	Blunt	Winged	Payable at 12/31//08
2009			
First	250,000	250,000	500,000
Second	250,000	250,000	500,000
Third	250,000	250,000	500,000
Fourth	250,000	250,000	500,000
2010			
First	<u>250,000</u>	---	<u>250,000</u>
Total	<u>\$1,250,000</u>	<u>\$1,000,000</u>	<u>\$2,250,000</u>

**Research and Development Costs** – Research and development costs are charged to expense as incurred. These expenses do not include an allocation of salaries and benefits for the personnel engaged in these activities. Although not expensed as research and development, all salaries and benefits for the years ended December 31, 2008 and 2007, have been expensed. The Company incurred no research and development costs during the years ended December 31, 2008 and 2007, respectively.

**Advertising** – Advertising costs are expensed as incurred. The Company incurred \$204,286 and \$23,667 of such costs during the years ended December 31, 2008 and 2007, respectively.

**Income Taxes** –Income tax expense is provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred taxes are recognized for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to the effects of net operating loss carry forwards and differing basis, depreciation methods, and lives of

MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

depreciable assets. The deferred tax assets represent the future tax return consequences of those differences, which will be deductible when the assets are recovered.

**Cash and Cash Equivalents** – For the purposes of the Statements of Cash Flows, the Company considers cash and cash equivalents to be cash in all bank accounts, including money market and temporary investments that have an original maturity of three months or less.

**Concentration of Credit Risk** – From time to time during the years ended December 31, 2008 and 2007, certain bank account balances were in excess of federally insured limits. The Company has not experienced losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Recent Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board (“FASB”) issued Financial Interpretations (“FIN”) 48, “*Accounting for Uncertainty in Income Taxes*,” an interpretation of Statements of Financial Accounting

Standards (“SFAS”) No. 109, which clarifies the accounting for uncertainties in income taxes recognized in an enterprise’s financial statements. FIN 48 requires that we determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authority. If a tax position meets the more likely than not recognition criteria, FIN 48 requires the tax position be measured at the largest amount of benefit greater than 50% likely of being realized upon ultimate settlement. This accounting standard was effective for fiscal years beginning after December 15, 2006. The effect of adopting FIN 48 did not have a material affect on our financial position and results of operations. Our open tax years include all returns filed for 2005 and later.

In September 2006, the staff of the SEC issued Staff Accounting Bulletin No. 108, “*Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements*” (“SAB 108”). SAB 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of determining whether the current year’s financial statements are materially misstated. SAB 108 was effective for the Company’s fiscal year 2007 annual financial statements. The adoption of SAB 108 did not significantly impact our financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, “*Fair Value Measurements*” (“SFAS 157”). This standard defines fair value, establishes the framework for measuring fair value in accounting principles generally accepted in the United States and expands disclosure about fair value measurements. SFAS 157 applies under other accounting standards that require or permit fair value measurements and therefore requires no new fair value measurement. SFAS 157 was effective for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. Adoption of SFAS 157 did not have a material impact on the Company’s financial statements.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*” (“SFAS 159”), which includes an amendment of SFAS 115. SFAS 159 allows companies to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. Unrealized gains and losses must be reported on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 also establishes presentation and disclosure requirements. SFAS 159 was effective for fiscal years beginning after November 15, 2007 and will be applied prospectively. The Company elected not to adopt SFAS 159.

In December 2007, the FASB issued SFAS No. 141(R), “*Business Combinations*,” (“SFAS 141(R)”) and SFAS No. 160, “*Noncontrolling Interests in Consolidated Financial Statements*,” (“SFAS 160”). These standards were designed to improve, simplify and converge internationally the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. SFAS 141(R) requires an acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and

MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information needed to evaluate and understand the nature and financial effect of the business combination. SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries as equity in the consolidated financial statements. SFAS 160 also eliminates the diversity that currently exists in accounting for transactions between an entity and noncontrolling interests by requiring they be treated as equity transactions. SFAS 141(R) and SFAS 160 will be effective for fiscal years beginning after December 15, 2008. The Company has not yet concluded what impact these new standards will have, if any, on its financial statements.

Certain amounts in the 2007 financial statements have been reclassified to conform with classifications used to prepare the 2008 financial statements. These reclassifications had no material impact on the Company's financial position, results of operations, or cash flow as previously reported.

MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 2 – ACQUISITIONS

On January 10, 2007, MedPro merged with Vacumate, LLC. Because they were held under common control, MedPro and Vacumate reported their financial results as a single entity before the merger.

As described in Note 1, on December 28, 2007 the Company completed a reverse takeover in which it merged into Dentalserv.com, a Nevada public shell corporation formerly listed as DSRV on the over the counter bulletin board (OTCBB). MedPro survived the merger for accounting purposes. Accordingly, these financial statements reflect the historical operations of MedPro before the reverse merger, but the capital structure is that of Dentalserv.com, the corporation that legally survived the merger. The surviving entity is listed as MPSP on the OTCBB.

NOTE 3 – INVENTORY

The Company’s inventory consists primarily of the Needlyzer product less an amount that is necessary to adjust inventory to its estimated net realizable value less all applicable disposition costs. The Company recorded an additional write down of the Needlyzer inventory in 2008. The entire Safe-Mate inventory was written off in 2008 and the product abandoned. Write downs of our inventory amounted to \$294,877 and \$34,987 in 2008 and 2007, respectively.

NOTE 4 – NOTES PAYABLE TO AND ADVANCES FROM SHAREHOLDERS

Notes payable to and advances from shareholders represent loans and advances received from officers, directors, shareholders and entities over which they exert significant control. They are comprised of the following:

	<u>2008</u>	<u>2007</u>
Short term advances with no stated terms settled in the ordinary course of business	\$ 1,656	\$ 6,116
Demand and promissory notes with varying interest rates and conversion features	468,445	2,653,245
Less amounts reflected in accounts payable	<u>(86,768)</u>	<u>0</u>
	<u>\$ 383,333</u>	<u>\$ 2,659,361</u>

Short term advances consisted of \$1,656 and \$6,116 for December 31, 2008 and 2007, respectively, which were due to various related parties including a company controlled by our Chairman for unsettled advances and services.

Demand and promissory notes payable to related parties at December 31, 2008 included \$85,112 of accrued back pay included in accounts payable. Of this amount, our Chief Operating Officer was due \$68,420 and \$16,692 was due to another employee. The remaining \$383,333 of the notes payable is comprised of accrued management fees of \$87,500 due to our Chairman, an accrued loan guarantee fee of \$250,000 due to our Chairman, and accrued management fees of \$45,833 due to our Chief Operating Officer.

Demand and promissory notes payable to related parties at December 31, 2007, included \$235,000 payable to shareholders on notes bearing interest at varying rates of up to 20%. All principal and unpaid interest on notes payable to these shareholders at December 31, 2007, was paid in early 2008.

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Other demand and promissory notes at December 31, 2007 include \$74,912 owed to Baton Development, Inc., a company owned by Gary Peterson, a director, and accrued compensation payable to our Chairman and to our Chief Operating Officer totaling \$133,333. Baton Development was paid in full in 2008. Notes payable also included a \$60,000 payable for advances to DentalServ prior to the merger in 2007, which was written off in 2008.

NOTE 4 – NOTES PAYABLE TO AND ADVANCES FROM SHAREHOLDERS (Continued)

The remaining balance of the promissory notes outstanding at December 31, 2007, was represented by a note payable to CRM Development Company (“CRM”), a company controlled by our Chairman. As of that date, the outstanding principal of the CRM note totaled \$2,150,000, and the Company had accrued \$120,000 of interest. On January 1, 2007, the outstanding principal balance of the note (then \$2,000,000) began to bear interest at an annual rate at 6%. During 2007, CRM loaned an additional \$150,000 to the Company. Penalty provisions required payment of an additional 10% of interest on the principal balance if the note is not repaid by December 31, 2007, and an additional 5% of interest every sixty days thereafter. Our Chairman waived the imposition of any additional interest penalties. The principal and all accrued interest on the note were paid in full in 2008.

NOTE 5 – RELATED PARTY TRANSACTIONS

The CRM note discussed in Note 4 above was issued on September 1, 2006 as part of a restructuring of the Company’s debt. Before the restructuring, CRM had continually loaned money to the Company, provided services for the Company, paid various Company related expenses directly, guaranteed Company loans, and subsidized the office lease expense on behalf of the Company, which is located in a building owned by a partnership in which the Company’s Chairman is a partner. Before September 1, 2006, all amounts advanced by CRM were recorded as book entry advances with no definitive repayment terms. The balance of these advances totaled \$3,188,363 at December 31, 2005. CRM agreed to forgive amounts otherwise owed by the Company in exchange for 536,306 shares of common stock valued at \$1,822,805 and the CRM note in the amount of \$2,000,000. The Company also recorded a contribution to paid-in capital to reflect the remaining \$1,294,526 of advances forgiven by CRM. During 2007, CRM loaned an additional \$150,000 to the Company, increasing the principal amount of the CRM note to \$2,150,000.

As part of the September 2006 debt restructuring, our Chairman agreed to personally guarantee the term loan and revolving line of credit under the Company’s credit agreement with a commercial lender, for which the Company agreed to pay him a \$250,000 fee.

As a condition to our lender’s renewal and extension of our credit agreement in 2008, our Chairman agreed to maintain his personal guarantee of the term loan and revolving line of credit. We agreed to pay him a \$250,000 fee for maintaining the personal guarantee, which was accrued in 2008.

In addition to the transactions discussed above and in Note 4, the Company incurred interest expense on the indebtedness to shareholders totaling approximately \$286,012 and \$199,000 for the years ended December 31, 2008 and 2007, respectively.

On March 6, 2008, the Company entered into a consulting agreement with SC Capital Partners, LLC to assist it with future capital requirements, strategic financial planning and support of the Company’s efforts to build shareholder liquidity. The agreement calls for a retainer of \$15,000 per month, plus out-of-pocket expenses, beginning on the date of execution. The agreement may be terminated by the Company with appropriate notice or upon satisfaction of the goals of the agreement. The agreement also contains certain fees for future capital milestones achieved. Warren Rustand, a director of the Company, is a principal of SC Capital Partners, LLC.

NOTE 6 – INTANGIBLE ASSETS

The Company’s intangible assets consist primarily of intellectual properties (medical device patents) that give the Company the right to produce and exploit, commercially, certain medical devices. To date, none of the existing

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NOTE 6 – INTANGIBLE ASSETS (Continued)

patents have been commercially exploited. The Company expects to begin delivering product in the late fourth quarter 2008 or the first quarter 2009. These various patents include Vacu-Mate Skin and Tube models with a cost of \$2,525,425, the Key-Lok™ patent at \$489,122, the syringe guard prefilled family of products at \$4,845,000 and the Winged infusion set at \$1,250,000.

Amortization expense also includes the annual charge off of prepaid loan fees of \$41,772 per year. Estimated future amortization of these intangibles is expected to consist of the following amounts for the twelve month periods ended on December 31:

<u>12 Months Ending December 31,</u>	<u>Amount</u>
2009	\$ 83,862
2010	1,814,769
2011	1,835,854
2012	1,821,909
2013	1,821,909
After 12/31/13	1,828,731

NOTE 7 – LONG-TERM DEBT

Long-term debt at December 31, 2008 and 2007 consisted of the following:

	December 31, 2008	December 31, 2007
Payable to Fifth Third Bank, Term Loan, interest payable at prime plus 2%, monthly principal payments of \$138,889 beginning June 2008, maturing August 1, 2011, collateralized by an assignment of intellectual properties	\$ 4,027,777	\$ 5,000,000
Payable to Fifth Third Bank, Revolving Line of Credit, Interest at prime plus 2%, payable monthly beginning in April 2007, due April 1, 2009	1,498,475	1,492,500
Payable to Whitaker Bank, Draw Loan, interest payable at 7.5% monthly payments of principal and interest of \$10,000 due through July 23, 2010, secured by certain inventory of the Company and personally guaranteed by the Company's Chairman, CFO and two other shareholders	<u>343,843</u>	<u>434,781</u>
	5,870,095	6,927,281
Less: current portion	<u>3,262,660</u>	<u>2,358,089</u>
Long-term portion	<u>\$ 2,607,435</u>	<u>\$ 4,569,192</u>

The revolving line of credit, as amended in November 2008, permits the Company to draw up to \$1,500,000. The credit agreement was also amended in 2008 to remove financial covenants and include cross-collateral agreements and a pledge of intangible assets .

The following table summarizes the maturities of long-term debt:

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NOTE 7 – LONG-TERM DEBT (Continued)

12 month periods ended <u>December 31,</u>	
2009	\$ 3,262,660
2010	1,771,756
2011	807,692
2012	<u>27,987</u>
Total	<u>\$ 5,870,095</u>

NOTE 8 – SHAREHOLDERS’ EQUITY

The Company is authorized to issue 90,000,000 shares of common stock with a par value of \$0.001 per share, and 10,000,000 shares of preferred stock with a par value of \$.01 per share, which is issuable in series. Of the 10,000,000 shares of preferred stock authorized, 6,668,230 shares are designated as Series A Convertible Preferred Stock (“Series A Stock”) and 1,493,779 shares are designated as Series B Convertible Preferred Stock (“Series B Stock”). At December 31, 2008, the Company’s issued and outstanding shares consisted of 13,320,366 shares of Common Stock, 6,668,229 Series A Stock, and 1,493,779 shares of Series B Stock. In addition, warrants to purchase 19,913,068 shares of common stock were outstanding at December 31, 2008.

In the private placement to four investment funds completed on December 28, 2007, and described in Note 1, MedPro issued a total of 6,668,229 shares of Series A Stock and warrants to purchase a total of 25,286,692 shares of common stock. The reverse takeover merger with Dentalserv.com as of that date was a condition to the purchase of the preferred stock and stock purchase warrants under the terms of the preferred stock purchase agreement with these institutional investors.

The Company’s original four Series A Stockholders were issued one Series “A” warrant and one Series “B” warrant for each of the 6,668,229 shares of preferred stock they held. In addition, for making a total investment of at least \$5 million, one Series A Stockholder also received one “J” warrant and one “C” warrant for each of the 5,975,116 shares of preferred stock it held. See Note 11 for a description of the rights of the four series of warrants issued with the Series A Stock and the valuation of these warrants pursuant to the Black-Scholes method.

By resolution dated August 18, 2008, the Company’s Board of Directors designated 1,493,779 of the unissued preferred shares as Series B Convertible Preferred Stock. On that date, Vision Opportunity Master Fund, Ltd. (“VOMF”), then the sole holder of J warrants, and the Company amended the J warrants to give VOMF the right to purchase 1,493,779 shares of Series B Stock at a purchase price of \$8.72. The J warrants originally had given the holder the right to purchase 5,975,116 shares of common stock at a purchase price of \$2.18.

VOMF transferred a portion of its common stock, Series A and Series B Preferred Stock and Series A, B, J and C warrants to an affiliate, Vision Capital Advantage Fund (“VCAF”) in August 2008. During September and October 2008, VOMF and VCAF exercised all of the outstanding J warrants, purchasing 1,493,779 shares of Series B Stock for cash totaling \$13,025,753.

**Series A Convertible Preferred Stock**

The following is a summary of the material rights, preferences, privileges, and restrictions of the Series A Convertible Preferred Stock.

Dividends	The Series A Stockholders are entitled to receive cash dividends at the rate of 5% of the stated liquidation preference amount (\$1.81 per share). Dividends will be prorated for shares not outstanding for a full year.
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MEDPRO SAFETY PRODUCTS, INC.  
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NOTE 8 – SHAREHOLDERS' EQUITY (Continued)

	<p>Dividends are cumulative, and will only accrue and be payable upon any liquidation of the Company. Dividends on Series A Stock will be paid before dividends on any junior stock.</p>
Liquidation Rights	<p>Upon any liquidation of the Company, the holder of Series A Stock is entitled to receive \$1.81 per share plus any accrued and unpaid dividends, before any amounts are paid on common stock or any junior stock.</p>
Voting Rights	<p>The Series A Stockholders have no voting rights, except that as long as there are 200,000 shares of Series A Stock outstanding, the affirmative vote of 75% of the Series A Stock is required for the Company to take the following actions:</p> <ul style="list-style-type: none"><li>• To authorize the issuance of a series of stock ranking equal or senior to the Series A Stock with respect to liquidation rights.</li><li>• To repurchase, redeem, or pay dividends on shares of common stock other than de minimus repurchases or contractual redemption obligations.</li><li>• To amend the articles of incorporation or bylaws or to reclassify our outstanding securities in a way that materially and adversely affect the rights of Series A Stock.</li><li>• To make any unauthorized distribution to the holders of stock junior to the Series A Stock.</li><li>• To voluntarily file for bankruptcy, liquidate assets or make an assignment for the benefit of our creditors.</li><li>• To discontinue involvement in the Company's current business.</li></ul>
Conversion Rights	<p>The Series A Stock is convertible into shares of common stock at any time, in whole or in part, at the option of the holder. For each share of Series A Stock converted, the holder will be entitled to receive a number of shares of common stock equal to the quotient of: (1) \$1.95, divided by (2) the conversion price in effect as of the date of the delivery of the holder's notice of election to convert.</p> <p>The conversion price is initially \$1.95 per share, but is subject to adjustment for certain events, including stock splits, stock dividends, distributions, reclassifications or reorganizations. In addition, the conversion price is subject to adjustment if the Company issues additional shares of common stock or securities convertible into, or exchangeable for, common stock, in either case at a price per common share less than the conversion price then in effect. The conversion price adjustment does not apply to the issuance of shares in certain transactions identified in the certificate of designations unless the holder of the Series A Stock waives the restriction.</p> <p>The Series A Stock cannot be converted into common stock if the conversion will result in the holder beneficially owning in the aggregate more than 9.9% of our common stock outstanding.</p>
Buy-In Rights	<p>If the Company fails to timely deliver common stock issuable upon conversion of Series A Stock, and the holder is required to purchase common stock to deliver in satisfaction of</p>

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NOTE 8 – SHAREHOLDERS' EQUITY (Continued)

a sale of the shares to have been issued upon the conversion, then the Company must pay the holder in cash the difference between the total purchase price the holder paid to acquire common stock to complete the sale and the amount obtained by multiplying (1) the number of shares of common stock issuable upon conversion of the Series A Stock times (2) the price at which the holder's sell order for those shares was executed.

Redemption Rights

Upon the occurrence of a "major transaction," each holder of Series A Stock can require the Company to redeem all or a portion of the holder's Series A Stock equal to 100% of the liquidation preference amount plus any accrued but unpaid dividends. The Company can elect to pay in shares of common stock, in which case the price per share will be based on the conversion price then in effect.

A "major transaction" includes consolidation or merger transactions that would result in a change of control of our company, the sale of more than 50% of our assets, or the purchase of more than 50% of the outstanding shares of our common stock.

Upon the occurrence of one of the triggering events listed below, each holder of Series A Stock can require the Company to redeem all or a portion of the holder's Series A Stock at a price per share equal to 120% of the liquidation preference amount plus any accrued but unpaid dividends and liquidated damages.

Triggering events include:

- (1) Lapse of the effectiveness of the registration statement for 20 consecutive trading days, or unavailability of the registration statement for sale of MedPro common stock for 20 consecutive trading days and MedPro common stock cannot be sold in the public securities market, provided that the unavailability is not due to factors solely within the control of the holder of the Series A Stock.
- (2) Suspension from listing or trading on any one of, or the failure of MedPro's common stock to be listed or traded on at least one of, the OTC Bulletin Board, the Nasdaq Capital Market, the Nasdaq Global Market, the New York Stock Exchange, Inc., or American Stock Exchange, Inc. for five consecutive trading days.
- (3) Notice of our inability to convert Series A Stock into shares of common stock.
- (4) Failure to comply with a conversion notice for 15 days.
- (5) Deregistration of common stock so it is no longer publicly traded.
- (6) Consummation of a "going private" transaction so that the common stock is no longer registered under the Securities Exchange Act of 1934.
- (7) Breach of a term of the purchase agreement or the certificate of designation or any other agreement delivered in connection with contemplated transactions that has a materially adverse effect and is not a curable breach of a covenant that continues for more than 10 business days.

For triggering events (1), (2), (3), and (7), the Company can elect to pay in cash or shares of common stock (the price per share is the conversion price then in effect). For (4), (5), and (6), the Company will redeem for cash.

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NOTE 8 – SHAREHOLDERS' EQUITY (Continued)

See Note 11 regarding the classification of the Series A Stock as equity.

**No Preemptive Rights** Except as noted in the following paragraph, a holder of Series A Stock will not have the right to subscribe for, purchase or receive any part of any new or additional shares of any class of our shares, or any of our debt securities convertible into shares, except for the holder's conversion rights. Our board of directors will have the power to authorize the company to issue shares (other than Series A Stock) or debt securities on such terms and for such consideration as they deem advisable.

For one year following the effective date of the registration statement covering the resale of shares of common stock issuable upon the conversion of Series A Stock or the exercise of the related warrants, each Series A Stockholder will have the option to purchase up to its pro rata portion of all or a portion of the securities being offered in any subsequent debt or equity financing on the same terms and conditions proposed by any third party. The right would not apply to shares issued to acquire patents for technology, under employee benefit plans and certain other corporate transactions.

If the Company were to liquidate, dissolve or engage in certain other transactions, the Company would owe the Preferred Shareholders a liquidation preference dividend. The liquidation preference dividend amounts would have been \$610,260 through December 31, 2008 and \$4,975 through December 31, 2007. These amounts have not been recorded in the financial statements.

The Company's Series A Convertible Preferred Stockholders also hold Series "A" warrants and Series "B" warrants to purchase common stock, one warrant of each series for each of the 6,668,229 shares of preferred stock they hold. In addition, for making a total investment of at least \$5 million, one Series A Stockholder also received one "J" warrant and one "C" warrants for each of the 5,975,116 shares of preferred stock it holds. See Note 11 for a description of the terms of these four series of warrants and details on how they have been valued under the Black-Scholes methodology.

**Series B Convertible Preferred Stock**

Each share of Series B Stock converts into 4 shares of common stock at the present conversion price of \$2.18 per share, which is subject to adjustment. The Series B Stock ranks equal to the Company's common stock, but ranks junior to the Series A Stock and to our indebtedness. If the Company declares dividends, the Series B Stockholders will receive dividends on a pro rata basis with the common stockholders. Upon liquidation, dissolution or winding up of the Company, the holder of Series B Stock is entitled to an amount equal to the amount distributable per share of common stock multiplied by the number of shares of common stock into which the Series B Stock can be converted. The Series B Stock has no general voting rights.

**Registration Rights**

The Company entered into a registration rights agreement with the Series A Stockholders that requires it to register their "registrable securities" with the SEC for public resale. "Registrable securities" are the shares of the Company's common stock issuable upon (a) the conversion of the Series A Stock and (b) the exercise of the Series A, B, J and C stock purchase warrants. In addition, shareholders who received shares in the December 28, 2007 reverse merger and did not sign lock-up agreements with the Series A Stockholders may have their shares included in the registration statement, which would enable them to sell their shares without compliance with a one year holding period or other conditions of Rule 144. The material terms of the registration rights of the Series A Stockholders are as follows:

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NOTE 8 – SHAREHOLDERS' EQUITY (Continued)

**Resale Registration**            The Company must (and did) file a registration statement within 60 days after closing, to register all registrable securities. The registration statement also covers additional shares of common stock resulting from stock splits, dividends or other similar transactions with respect to the registrable securities.

The Company must use commercially reasonable efforts to promptly cause the registration statement to become effective and stay continuously effective, until the earlier of (i) the date when all registrable securities covered under the registration statement have been sold or (ii) the date when the registrable securities can be sold without any restriction pursuant to Rule 144 of the Securities Act.

**Liquidated Damages**        If the Company fails to file:

- A request for acceleration of effectiveness of the registration statement within 3 business days after the SEC notifies us that a registration statement will not be reviewed; or
- A subsequent registration statement if the original registration statement ceases to be effective before expiration of the effectiveness period; or

If the Company postpones or suspends the effectiveness of a registration statement for more than 60 days in the aggregate during any 360-day period; or

If trading in the Company's common stock is suspended or if the common stock is no longer quoted on or is delisted from the OTC Bulletin Board (or other principal exchange on which the common stock is traded) for any reason for more than three business days in the aggregate;

Then the Company must pay liquidated damages to each Series A Stockholder equal to 1.5% of the holder's initial investment in the Series A Stock then held by the holder for each calendar month, or portion thereof, until the failure or breach is cured. Liquidated damages will not exceed an aggregate of 20% of the amount of the holder's initial investment in the Series A Stock.

**Piggy-Back Registrations**        If the Company registers securities for an offering for sale (other than registrations in connection with the acquisition of a business or with employee benefit plans), then the Company must register the shares of its common stock issuable upon the conversion of Series A Stock or the exercise of warrants, upon the request of a Series A Stockholder.

**Demand Registration Rights**        Series A Stockholders may make a written request for registration of shares of common stock not previously registered that are issued upon the occurrence of a "major transaction" or "triggering event." The Company must use reasonable best efforts to register the shares no later than 120 days after the holder's request and keep the registration statement continuously effective for as long as the holder shall request, but no later than the date that the shares of common stock may be offered for resale to the public without restriction pursuant to Rule 144.

A "major transaction" includes certain consolidation or merger transactions, the sale of more than 50% of the Company's assets, or the purchase of more than 50% of the outstanding shares of the Company's common stock.

"Triggering events" include:



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NOTE 8 – SHAREHOLDERS' EQUITY (Continued)

Series A Stockholders in connection with their investment. One of the noteholders is a former director of the Company.

On May 10, 2007, the Company paid \$472,983 in cash to retire a fifth convertible note, including accrued interest of \$222,983, and also issued 7,641 shares to the holder for his forbearance on the past due outstanding balance of the note. To raise the cash to retire this note, the Company issued a total of 516,474 shares on May 10, 2007, to three shareholders for \$500,000, or approximately \$0.97 per share. The price per share was negotiated with the shareholders and reflected that the shareholders were investing cash, not converting outstanding debt. One of the shareholders involved in these transaction is the father of the Company's Chairman and CEO.

As part of the September 2006 debt restructuring, the Company's Chairman and CEO agreed to personally guarantee the term loan and revolving line of credit under the Company's credit agreement, for which the Company agreed to pay him a \$250,000 fee. The Chairman subsequently assigned the right to receive the fee to another shareholder, and on December 28, 2007, the shareholder exchanged the right for 183,798 common shares, or \$1.36 per share.

Options to purchase 25,000 shares of common stock were outstanding at December 31, 2006. The options were issued as inducements for investors and shareholders to provide funding. All of the 25,000 options expired unexercised during 2007.

NOTE 9 – INCOME TAXES

The Company incurred no current or net deferred income tax expense or benefit for the years ended December 31, 2008 and 2007. Income tax expense (benefit) varies from the amounts expected by applying ordinary federal income tax rates to income before income taxes principally as a result of share-based compensation for 2008 and because the Company has provided allowances for the entire amount of its net operating losses for both 2008 and 2007. Deferred income taxes reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial statement purposes and the amounts used for income tax purposes. The tax effects of temporary differences that give rise to significant portions of the deferred assets at December 31, 2008 and 2007 are presented below:

	<u>2008</u>	<u>2007</u>
Deferred tax assets (liabilities):		
Fixed assets	\$ (34,734)	\$ 97,951
Write off of intangible assets	(95,880)	0
Unearned share based compensation	860,763	0
Accrued interest payable	(18,224)	125,936
State deferred tax asset	1,102,151	782,094
Net operating loss carryforwards	5,158,871	4,207,979
Less: valuation allowance	<u>(6,972,947)</u>	<u>(5,213,960)</u>
Net deferred tax assets	<u>\$ _____ -</u>	<u>\$ _____ -</u>

The Company had no net deferred tax liabilities as of December 31, 2008 and 2007. As of those dates, the majority of its deferred tax asset consists of net operating loss carryforwards (tax effect) of \$5,158,871 and \$4,207,979, respectively, directly related to its total net operating loss carryforwards of \$16,141,646 and \$10,203,015, respectively. These net operating loss carryforwards begin expiring in 2015 and are entirely offset by valuation allowances of \$(6,972,947) and \$(5,213,960) as of December 31, 2008 and 2007, respectively. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax assets, projected future taxable

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NOTE 9 – INCOME TAXES (Continued)

income, and tax planning strategies in making this assessment. Management believes it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Management has evaluated the positions taken in connection with the tax provisions and tax compliance for the years included in these financial statements as required by FIN 48. The Company does not believe that any of its positions it has taken will not prevail on a more likely than not basis. As such no disclosure of such positions was deemed necessary.

In 2008, the Company scrapped its remaining Safe-Mate inventory and took a loss of \$42,445. We took additional write downs on our Needlyzer inventory amounting to \$252,432 based on our determination of the lower of cost or market value. Since the tax treatment for these transactions mirrored the accounting treatment, no deferred taxes were reflected for these adjustments.

In 2007, management elected to adjust its Needlyzer inventory to the lower of cost or market basis for tax purposes in 2007, consistent with a financial statement position taken in 2004. Management believes that future marketing efforts for the Needlyzer device will not result in commercially reasonable results and that for tax purposes the inventory should be written down to the net realizable value. The effect of this adjustment in 2007 before valuation allowance on the net deferred tax asset for inventory is a reduction of \$124,754 in deferred Federal income tax asset and an adjustment in the deferred state tax asset of \$22,015 for a combined total effect of \$146,769. Since 100% of these deferred tax assets were previously reserved there has been no impact on either the tax provision on the income statement or the deferred tax assets on the balance sheet.

The cessation of marketing and shipping efforts in 2007 of the remaining Needlyzer inventory and the resulting write down for tax purposes is a permissible adjustment and tax position under the first in first out lower of cost or market approach to inventory valuation for tax purposes and management believes it will prevail in this adjustment upon examination. Since 100% of this adjustment is part of a net operating loss carryforward, the impact may never be realized and has been reserved by valuation allowance.

As a result of its merger with DentalServ.com on December 28, 2007, the Company's ability to utilize loss carryforwards from the former MedPro (the loss corporation and the acquired corporation for tax purposes) to offset taxable income will be limited by Internal Revenue Code Section 382. Future utilization of net operating loss will be based on the long-term tax exempt rate at the date of merger applied against the value of the loss corporation. The value of the loss corporation (\$22,000,000) for purposes of the merger was established by arms-length negotiation. The available net operating loss will be further adjusted by the recognition, for tax purposes, of built-in gains or losses as of the date of acquisition.

NOTE 10 – LEASE COMMITMENT WITH RELATED PARTY

The Company leases its office and storage facility in Lexington, Kentucky, under a non-cancelable operating lease with a related party. On January 10, 2007, the Company signed a lease addendum that extended the term of the original 1998 lease through August 2012 with two five-year extension options. The amended lease provides for lease payments of \$3,500 per month from January 1, 2007, through July 31, 2007, and \$6,500 per month from August 1, 2007, through January 31, 2008. Beginning on February 1, 2008, the lease payment increased to \$6,975 per month (\$83,700 per year) for the remainder of the term when the Company increased its leased space by an additional 1,063 square feet.

Total lease expense was \$83,225 and \$57,000 for the years ended December 31, 2008 and 2007, respectively. Future minimum annual lease payments at December 31, 2008, were as follows:

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NOTE 10 – LEASE COMMITMENT WITH RELATED PARTY (Continued)

12 month period ended December 31,	
2009	\$ 83,700
2010	83,700
2011	83,700
2012	<u>55,800</u>
Total	<u>\$ 306,900</u>

NOTE 11 – STOCK OPTIONS AND WARRANTS

**2008 Stock Option Awards**

At December 31, 2007, the Company had no written or unwritten stock ownership or option plans for employees. The September 2007 preferred stock purchase agreement among the Company and the Series A Stockholders authorized the Company to award rights to purchase 3,000,000 common shares to its management and employees at \$1.81 per share, the agreed upon valuation of the Common Stock in the September 2007 agreement, under an employee stock option program. At December 31, 2007, the terms of the purchase rights had not been established, nor had they been assigned or allocated to any members of management, directors or employees.

On August 18, 2008, the Company adopted the MedPro Safety Products, Inc. 2008 Stock and Incentive Compensation Plan (“2008 Plan”) and issued stock options to its directors and employees in the amounts and on the terms agreed upon in the September 2007 stock purchase agreement with the Series A Stockholders. The Company’s employees, including its three executive officers, were granted a total of 2,800,000 options. The two non-employee directors each were granted 100,000 options. The options may be exercised at an exercise price of \$1.81 per share only on the earliest of January 1, 2013, the date of the holder’s death or 100% disability, termination of employment or service as a director, and the date of a change in control of the Company. Because the exercise price was less than market price of MedPro stock on the date of grant, the Company set a date certain for the exercise of the options in order to qualify for exemptions from excise taxes under IRS deferred compensation rules.

The Company has recorded unearned compensation of \$14,580,000, or \$4.86 per share underlying the options, to reflect the grant of these options. In determining the fair value of the options at the date of grant, management relied in part upon the report of an independent valuation firm. The trading price of MedPro common shares on the grant date, was \$9 per share, and the median trading price for the 30-day period ending on the grant date was also \$9 per share. However, due to the infrequency and low volume of trading in MedPro’s shares, it was determined that an active trading market did not exist to provide pricing information on an ongoing basis under SFAS 157. In addition, publicly traded guideline companies were not used to value the underlying shares because neither MedPro nor any of the public companies identified as comparable to MedPro were profitable, and an earnings multiple could not be computed.

The Black-Scholes model was used to value the options. Assumptions used in the valuation included an expected term of 2.48 years, volatility of 60% based on trading data of comparable public companies, and an equivalent bond yield of 2.5%. The fully diluted value of \$6.56 per share used in the model was determined by first discounting the trading price of \$9.00 per share by 16% to reflect a lack of liquidity due to restrictions on exercise and a thin trading market. Because only 1% of the 13,285,072 shares then outstanding were not restricted under SEC Rule 144, an efficient trading market as defined by SFAS 123(R) did not exist for MedPro shares. Therefore, the value per share was further adjusted for the dilutive effect of the exercise of the 3,000,000 options.

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NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

The unearned compensation is being charged to earnings over 24 months beginning on August 18, 2008. The 24 month period coincides with the term of a non-competition covenant included in the option agreement. The Company recorded \$2,693,250 of compensation expense for the period from August 18 through December 31, 2008. The balance of the unearned compensation is \$11,886,750 at December 31, 2008.

Under SFAS 123(R), the requisite service period is usually the vesting period. The options issued on August 18, 2008, are fully vested on the grant date because they can be exercised upon termination of employment or termination of service on the board of directors (as the case may be). However, if employment were terminated immediately, the recipient would remain subject to a non-compete covenant in the award agreement during the 24 months following termination, which is an implicit service period other than the vesting period.

SFAS 123(R) requires consideration of the following: (a) all vesting and exercisability conditions; (b) all explicit, implicit, and derived service periods; and (c) the probability that performance or service conditions will be satisfied. In this case, the non-compete period is assumed to be the explicit requisite service period and management believes the probability of the service conditions being met is nearly 100 percent.

SFAS 123(R) requires that compensation cost be recognized on a straight-line basis over the requisite service period for each separately vesting portion or over the requisite service period for the entire award. In this case, the vesting period is immediate, therefore compensation expense can only be recognized for the entire award.

Stock option activity for 2008 may be summarized as follows:

	<u>Shares</u>	<u>Average weighted exercise price</u>
Outstanding at January 1, 2008	0	n/a
Granted	3,000,000	\$1.81
Exercised	0	n/a
Expired/cancelled	<u>0</u>	n/a
Outstanding at year end	<u>3,000,000</u>	\$1.81

The following table summarizes information about stock options outstanding and exercisable at December 31, 2008:

<u>Weighted average exercise price</u>	<u>Options outstanding</u>	<u>Average weighted remaining contractual life (years)</u>	<u>Options exercisable</u>
\$1.81	3,000,000	4.083	none

**Stock purchase warrants**

The Company's four preferred stockholders received one Series "A" warrant and one Series "B" warrant for each of the 6,668,229 shares of Series A Convertible Preferred Stock they purchased. In addition, for making a total investment of at least \$5 million, one preferred stockholder also received one "J" warrant and one "C" warrant for each of 5,975,116 shares of preferred stock it purchased on December 28, 2008. The Series J Warrants were exercised in September and October 2008 for 1,493,779 shares of new Series B Convertible Preferred Stock, which is convertible into four common shares for each Series B preferred share. The remainder of the A, B and C warrants have not been exercised. The following is a summary of the rights of the four series of warrants issued with the Series A Stock:

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NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

Series A Warrant	Entitles holder to purchase one share of common stock at a purchase price of \$1.81 per share, 93% of the purchase price per share of Series A Stock.
Series B Warrant	Entitles holder to purchase one additional share of common stock at a purchase price of \$1.99 per share, 102% of the purchase price per share of Series A Stock.
Series J Warrant	The Series J Warrant entitles the holder to purchase one share of Series B Stock at a purchase price of \$8.72 per share. Each share of Series B Stock, in turn, is convertible at the option of the holder into four (4) shares of common stock at a purchase price of \$2.18 per share. These warrants were exercised in 2008.
Series C Warrant	Entitles the holder to purchase one share of common stock at a purchase price of \$2.18 per share, 112% of the purchase price per share of Series A Stock. The Series C Warrants become exercisable only if, and to the extent that, the corresponding Series J Warrant has been exercised.
Exercise Period	The Series A, Series B, and Series C Warrants may be exercised through December 28, 2012. The Series J Warrant were exercisable no later than December 28, 2008.
Adjustments to the Exercise Price and Number of Shares Available	<p>The price per share and number of shares available under each series of Warrant is subject to adjustment in the following circumstances:</p> <ul style="list-style-type: none"> <li>• the recapitalization, reorganization or reclassification of our company;</li> <li>• the consolidation, merger or sale of our company;</li> <li>• stock dividends, stock splits or reverse stock splits;</li> <li>• or the issuance of additional shares of common stock or common stock equivalents, or other distributions made to the holders of common stock other than permitted issuances.</li> </ul>
Exercise Price Protection	If before December 28, 2008, the Company issues shares of common stock at a price less than the conversion price per common share of the Series A Stock then in effect, the exercise price of the warrants of each series will automatically adjust to the lower price per common share.
Cashless Exercise	In lieu of exercising their warrants for cash, the holders of Series A, Series B, and Series C Warrants (but <i>not</i> the Series J Warrant) may make a cashless exercise of their warrants, and will receive a number of shares of common stock having a market value equal to the difference between the then-current market value of the number of shares for which the warrant is exercised and the exercise price for those shares.
Registration Rights	The warrant holders have the registration rights with respect to the shares of common stock issuable upon the exercise of their warrants described in Note 8, above.
Buy-In Rights	If the Company fails to timely deliver common stock issuable upon exercise of a warrant, and the holder is required to purchase common stock to deliver in satisfaction of a sale of the shares to have been issued upon the exercise, then the Company must pay the holder in cash the difference between the total purchase price the holder paid to acquire common stock to complete the sale and the amount obtained by multiplying (1) the number of shares of common

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NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

stock issuable upon exercise of the warrant times (2) the price at which the holder's sell order for those shares was executed.

See the table below for details on the valuation of these warrants pursuant to the Black-Scholes method.

The Company agreed to issue Series AA warrants to acquire 533,458 common shares for \$1.81 per share as of December 28, 2007. The AA warrants were compensation for financial advisory services rendered by SC Capital Partners, LLC in connection with the \$13,000,000 private placement. The terms of the AA warrants are similar to the "A" warrants and expire on December 28, 2012. The Company has valued the AA warrants at \$211,928 utilizing the Black-Scholes method.

The Company is authorized to issue warrants to purchase up to 68,036 common shares for \$1.99 per share as compensation for a research report to be published about the Company in a medical device industry publication. These warrants will be issued only when and if the report is published and will expire on December 28, 2012. Utilizing the Black-Scholes method, the Company valued these warrants at \$21,885 and reflected them as unearned compensation in its shareholder equity section.

In accounting for the conversion feature embedded within the Series A Stock, the Company considered FASB SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* and EITF 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's own stock*. EITF 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Features*, and EITF 00-27, *Application of Issue No. 98-5 to Certain Convertible Instruments*. Under this guidance, the classification of an issuer's convertible preferred stock as permanent equity depends upon the issuer having control with respect to the manner of redemption of the convertible preferred stock.

The right of Series A Stockholders to redeem their shares arises first in the event of a consolidation or merger that would result in a change of control of the Company, the sale of 50% of its assets, or a purchase of 50% of the outstanding shares of the Company's common stock. Mergers, consolidations and asset sales require approval by the board of directors. A third party could purchase 50% of the outstanding shares only from the Company directly or in a voluntary sale by one or more common shareholders. These circumstances, being characteristic of all equity, do not preclude classification as equity.

Of the other seven events triggering the right of Series A Stockholders to redeem their shares, four are events for which the issuer has the option to redeem in either cash or common shares. The redemption ratio is fixed and adjusts only if the Company sells common shares at a price less than the price per share at which the preferred stock converts into common stock. In other words, the adjustments to the ratio are not of a dilutive nature that would generally give rise to liability treatment.

The other triggering events would occur only through purposeful actions by the Company or otherwise within its control.

- As of December 31, 2008, the Company had 90,000,000 common shares authorized and 13,320,366 common shares issued and outstanding. Therefore, the Company had a sufficient number authorized and unissued common shares to convert all of the preferred stock at the conversion ratio then in effect had a notice of conversion been presented as of that date, meeting the "current status" test of EITF 00-19.
- The deregistration of Company's common stock is within its control;
- The consummation of a going private transaction is within the Company's control.

Based on the foregoing analysis, the Company concluded that the embedded conversion feature would not be separately accounted for as a derivative liability from the Series A Stock.

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NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

In accordance with this guidance, the Company recorded a deemed dividend in the amount of \$3,975,120 by increasing the retained deficit and increasing additional paid in capital by that amount effective on December 28, 2007 to reflect the estimated fair value of the embedded conversion feature in the Series A Stock. The \$3,975,120 amount represents the approximately \$0.60 difference per share between the \$1.81 liquidation value per share of the preferred stock and the \$1.21 per share value of the warrants. This amount would normally be amortized over the period between the issue date and the conversion date, but because the Series A Stock is convertible immediately upon issuance, the entire amount was charged to retained earnings as a deemed dividend and an increase to additional paid in capital.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of subjective assumptions including the expected stock price volatility and appropriate adjustments for restrictions on exercising the options. Because our warrants have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, this model does not necessarily provide a reliable single measure of the fair value of its warrants.

Assumptions used in valuing all but the J warrants included an expected term of 2.5 years, volatility of 43.54 %, and an equivalent bond yield of 4.36%. Assumptions used in valuing the J warrants included an expected term of 1.0 years, volatility of 36.57 %, and an equivalent bond yield of 4.53%.

The following table summarizes the terms and values of the Company's stock purchase warrants at December 31, 2008:

MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

<u>Warrant Holder</u>	<u>Exercise Price</u>	<u>Warrants Outstanding</u>	<u>Weighted Average Remaining Life</u>	<u>Shares Exercisable</u>	<u>Black-Scholes Valuation</u>
VOMF A Warrants	\$1.81	4,751,079	2.5 Years	4,751,079	\$ 1,887,472
VCAF A Warrants	\$1.81	1,404,209	2.5 Years	1,404,209	\$ 557,853
VOMF B Warrants	\$1.99	4,751,079	2.5 Years	4,751,079	\$ 1,528,250
VCAF B Warrants	\$1.99	1,404,209	2.5 Years	1,404,209	\$ 451,683
VOMF C Warrants	\$2.18	4,612,010	2.5 Years	4,612,010	\$ 1,181,039
VCAF C Warrants	\$2.18	1,363,106	2.5 Years	1,363,106	\$ 349,063
Sands Funds A Warrants	\$1.81	512,941	2.5 Years	512,941	\$ 203,777
Sands Funds B Warrants	\$1.99	512,941	2.5 Years	512,941	\$ 164,994
AA Warrants	\$1.81	533,458	2.5 Years	0	\$ 211,928
Vendor Warrant	\$1.99	<u>68,036</u>	2.5 Years	<u>0</u>	<u>\$ 21,885</u>
 <u>December 31, 2008 Totals:</u>					
Exercisable at the end of the period, weighted average exercise price	\$1.96	19,913,068	--	19,311,574	\$ 6,557,944
 <u>Exercised in 2008:</u>					
VOMF J Warrant	\$2.18	4,612,010	2.5 Years	4,612,010	\$ 764,638
VCAF J Warrant	\$2.18	1,363,106	2.5 Years	<u>1,363,106</u>	<u>\$ 225,993</u>

MEDPRO SAFETY PRODUCTS, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

NOTE 11 – STOCK OPTIONS AND WARRANTS (Continued)

December 31, 2007 Totals:

Exercisable at the end of the period, weighted average exercise price	\$2.01	<u>25,888,184</u>	--	<u>19,311,574*</u>	<u>\$ 6,557,944</u>
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\* C Warrants became exercisable only upon the exercise of the related J Warrants, which occurred in 2008. Therefore the total number of shares subject to exercisable warrants did not change between 2007 and 2008.

The Company recorded unearned non-employee compensation for services of \$21,885 as of December 31, 2007. The five series of warrants issued in connection with the \$13,000,000 preferred stock offering were non-compensatory as they were associated with raising capital and would yield approximately \$36.4 million if all were exercised for cash.

NOTE 12 – EARNINGS PER SHARE

Basic earnings per share is based on the weighted average number of common shares outstanding. Diluted earnings per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. See Note 11 for details of outstanding options and warrants. Because we have net losses for the periods presented, there is no dilutive effect and the basic and diluted loss per share are the same for all years presented.

NOTE 13 – EMPLOYEE BENEFIT PLAN

MedPro Safety Products, Inc. Defined Contribution Plan

The Company adopted a retirement savings 401(k) and profit-sharing plan covering substantially all employees. Employees may contribute up to 100% of their compensation, up to allowable limits, with the Company matching the first three percent and matching 50% of the next two percent of compensation under a safe harbor plan. The Company may make a discretionary contribution to the plan up to the maximum contribution allowable for a defined contribution plan. The Company's discretionary contribution for 2008 was \$138,518. The Company's matching contributions for 2008 were \$12,613.

Participants have full and immediate vesting in any deferrals and in any employer contributions. Eligibility begins on the first day of the month coincident with or following the start of employment. The employee must be 21 years of age to be eligible. Employer contributions charged to expense for the years ended December 31, 2008 and 2007, were \$151,131 and \$0, respectively. The plan was established on October 1, 2008.

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MEDPRO SAFETY PRODUCTS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

NOTE 14 – SUBSEQUENT EVENT

On March 24, 2009, the Company entered into agreements with Vision Opportunity Master Fund and Vision Capital Advantage Fund in which the two funds agreed to exercise a portion of their Series C Warrants for cash totaling \$3,000,000 and to exchange the balance of their Series C Warrants plus all of their Series A and Series B Warrants for shares of new Series C Convertible Preferred Stock. The two funds will together acquire 1,571,523 shares of Series C Stock as a result of the warrant exercise and exchange.

Each share of Series C Convertible Preferred Stock is convertible into 10 shares of common stock, which ratio is subject to adjustment. The Series C Stock ranks equal to the Company's Series B Stock and common stock, but junior to the Series A Stock and to our indebtedness. If the Company declares dividends, the Series C Stockholders will receive dividends on a pro rata basis with the Series B Stockholders and the common stockholders. Upon liquidation, dissolution or winding up of the Company, the holder of Series C Stock is entitled to an amount equal to the amount distributable per share of common stock multiplied by the number of shares of common stock into which the Series C Stock can be converted. The Series C Stock has no general voting rights.

The exchange of warrants for Series C Stock is the equivalent of a cashless exercise of the warrants at an assumed market value of \$13.00 per common share. This transaction was intended to remove the uncertainty of the large overhang of 18,285,692 common shares issuable upon the exercise of the warrants. The warrant exercise and exchange will reduce the total common share equivalents issuable upon the exercise of the warrants held by the two Vision Funds from 18,285,692 common shares to 15,715,230 common shares. In addition, the Company will receive cash proceeds of \$3,000,000 from the exercise of a portion of the Series C warrants.

# Board of Directors



## **Craig Turner, *Chairman and CEO***

Craig Turner is the founder of MedPro and has been CEO and Chairman of the Board of Directors since its inception. He has been involved in the medical device industry for over 15 years, overseeing the strategic development and distribution of needle destruction technology as well as the production and distribution of dental safety needles. Mr. Turner managed the purchase of eight different passive medical technologies, providing the foundation for MedPro's portfolio of products and the establishment of key partner relationships for the company. He is the founder of CRM Companies, employing over 400 throughout the southeastern US. Mr. Turner has served on numerous boards as well as co-founder of CMF, a charitable foundation located outside Vail, Colorado. Mr. Turner currently serves on the Board of Regents of Eastern Kentucky University as Finance Chairman.

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## **Walter W. Weller, *President and COO***

Walter W. Weller has been President of MedPro since 2003 and its Chief Operating Officer from the company's inception in 1993. Mr. Weller has been responsible for MedPro's product strategy, building customer relationships with key channel partners, and coordinating day to day activities for the Company. Before joining MedPro, Mr. Weller spent approximately ten years working in manufacturing, seven years in financial and operational management, and five years working with financial software design and implementation services.

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## **Ernie Fletcher**

Former Kentucky Governor Dr. Ernie Fletcher has been an Air Force fighter pilot, engineer, family doctor, lay minister, state legislator, and United States Congressman. Governor Fletcher served his community as a family practice physician in Lexington for twelve years, including two years as CEO of the Saint Joseph Medical Foundation. Governor Fletcher's legislative career began in 1995 as a State Representative for Kentucky's 78th District. Governor Fletcher's public service continued when he was elected to the United States House of Representatives in 1998 from Kentucky's 6th Congressional District. In Congress, he served as a member of the House Committees on Energy and Commerce and was selected to chair the Policy Subcommittee on Health. Governor Fletcher is currently doing business development and healthcare consulting. He received his bachelor of science degree from the University of Kentucky, College of Engineering and a medical degree from the University of Kentucky, College of Medicine.

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## **Leo Kiely**

Mr. Kiely is Chief Executive Officer of MillerCoors. Most recently, he was the president and Chief Executive Officer of Molson Coors Brewing Company. He has guided the company through major transitions in recent years, including the merger of Adolph Coors Company and Molson Inc. in 2005 and the acquisition of what is now Coors Brewers Limited in the United Kingdom. Previously, Mr. Kiely served in executive management and marketing positions with Frito-Lay Inc., a subsidiary of PepsiCo, and Ventura Coastal Corporation, a division of Seven Up Inc. He earned a bachelor's degree from Harvard University and a master's degree in business administration from the Wharton School of the University of Pennsylvania.

# Board of Directors (continued)



## **Gary Peterson**

Gary Peterson has served as a member of the Board since 1998, and served as President and Chief Executive Officer of MedPro from 1998-2003. Mr. Peterson is President and CEO of Baton Development, Inc., a virtual incubator for new medical products and has been the Managing Partner of Baton Ventures LLC and PSF Health Care Fund LLC, and a Venture Partner of Affinity Ventures LLC, all venture capital funds. He has spent over 35 years in the medical device and health services business and has served as a member of the Board of Directors of numerous public and private medical companies. Prior to the venture capital business Mr. Peterson co-founded Angiomedics Incorporated and was its Chief Operating Officer and Executive Vice-President (Angiomedics was acquired by Pfizer, Inc., renamed Schneider USA, and sold again to Boston Scientific for \$2+ billion.) Prior to that Mr. Peterson was responsible for product management and long range product planning for Cardiac Pacemakers, Inc. (became Guidant, and was also acquired by Boston Scientific) and held various sales and marketing management positions with Renal Systems, Inc. (became Minntech.)

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## **Warren Rustand**

Warren Rustand was appointed to the Board in December 2007. Mr. Rustand is currently managing partner for SC Capital Partners LLC. He has served as a member of the Board of Directors for over 40 public, private, and not-for-profit organizations, including as Chairman of more than half of those organizations. In the medical field, Mr. Rustand has served as Chairman of Tucson Medical Center, Chairman of Health Partners of Arizona, Chairman of TLC Vision, Chairman of Medical Body Sculpting, and Chairman of Health Equity, Incorporated. Mr. Rustand also served as Appointment Secretary and Cabinet Secretary to former US President Gerald Ford.

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# Senior Management

**MARC RAY**  
**CFO**  
VP Finance

**GARYEN DENNING**  
**Director**  
Program Management

**TAMMY NICHOLS**  
**Director**  
Quality Assurance

**BETHANY DENNING**  
**Director**  
Organizational Development

**RAY KEMP**  
**Director**  
Support & Logistics

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