

PRESSURE BIOSCIENCES INC  
Form 10-Q  
May 09, 2008

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

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2008 or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21615

**PRESSURE BIOSCIENCES, INC.**

(Exact Name of Registrant as Specified in its Charter)

**Massachusetts**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**04-2652826**  
(I.R.S. Employer  
Identification No.)

**14 Norfolk Avenue**  
**South Easton, Massachusetts**  
(Address of Principal Executive Offices)

**02375**  
(Zip Code)

**(508) 230-1828**  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes     No

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2 of the Exchange Act).

Yes     No

The number of shares outstanding of the Issuer's common stock as of May 1, 2008 was 2,192,175

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\*Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**PRESSURE BIOSCIENCES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

	March 31, 2008	December 31, 2007
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,146,820	\$ 5,424,486
Accounts receivable	106,867	118,471
Inventories	595,060	172,548
Deposits	211,561	553,483
Prepaid income taxes	58,463	56,863
Income tax receivable	249,541	249,541
Prepaid expenses and other current assets	220,407	94,783
Total current assets	5,588,719	6,670,175
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>339,713</b>	<b>257,797</b>
<b>OTHER ASSETS</b>		
Intangible assets, net	316,132	328,290
<b>TOTAL ASSETS</b>	<b>\$ 6,244,564</b>	<b>\$ 7,256,262</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 378,609	\$ 152,729
Accrued employee compensation	364,144	377,190
Accrued professional fees and other expenses	189,642	186,840
Income taxes payable	5,889	4,519
Deferred revenue	9,911	15,075
Total current liabilities	948,195	736,353
<b>LONG TERM LIABILITIES</b>		
Deferred revenue	6,127	6,767
<b>TOTAL LIABILITIES</b>	<b>954,322</b>	<b>743,120</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock; 1,000,000 shares authorized; 0 outstanding	-	-
Common stock, \$.01 par value; 20,000,000 shares authorized; 2,192,175 shares issued and outstanding	21,922	21,922
Additional paid-in capital	6,402,821	6,284,616
Retained (deficit) earnings	(1,134,501)	206,604
Total stockholders' equity	5,290,242	6,513,142

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	6,244,564	\$	7,256,262
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The accompanying notes are an integral part of these consolidated financial statements

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**PRESSURE BIOSCIENCES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(UNAUDITED)**

**For the Three Months Ended  
March 31,**

	<b>2008</b>	<b>2007</b>
<b>REVENUE:</b>		
PCT Products, services, other	\$ 81,473	\$ 37,943
Grant revenue	50,903	93,678
Total revenue	132,376	131,621
<b>COSTS AND EXPENSES:</b>		
Cost of PCT products and services	48,449	31,654
Research and development	490,931	461,532
Selling and marketing	463,161	256,530
General and administrative	501,248	481,082
Total operating costs and expenses	1,503,789	1,230,798
Operating loss from continuing operations	(1,371,413)	(1,099,177)
<b>OTHER INCOME:</b>		
Realized gain on securities available for sale	-	727,473
Interest income	30,308	71,602
Total other income	30,308	799,075
Loss before income taxes	(1,341,105)	(300,102)
Income taxes from continuing operations	-	40,519
Loss from continuing operations	(1,341,105)	(259,583)
<b>DISCONTINUED OPERATIONS:</b>		
Loss on discontinued operations	-	(378,503)
Net loss	\$ (1,341,105)	\$ (638,086)
Loss per share from continuing operations - basic and diluted	\$ (0.61)	\$ (0.13)
Loss per share from discontinued operations - basic and diluted	-	(0.18)
Net loss per share - basic and diluted	\$ (0.61)	\$ (0.31)
Weighted average number of shares used to calculate loss per share - basic and diluted	2,192,175	2,065,425

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

**PRESSURE BIOSCIENCES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
**(UNAUDITED )**

	<b>For the Three Months Ended March 31,</b>	
	<b>2008</b>	<b>2007</b>
Net loss	\$ (1,341,105)	\$ (638,086)
Holding gain	-	302,146
Reclassification of unrealized gain to realized gain on securities during the period	-	(727,473)
Unrealized loss on marketable securities	-	(425,327)
Income tax benefit related to items of other comprehensive loss	-	122,910
Total other comprehensive loss, net of taxes	-	(302,417)
Comprehensive loss	\$ (1,341,105)	\$ (940,503)

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

**PRESSURE BIOSCIENCES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

**For the Three Months Ended**  
**March 31,**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (1,341,105)	\$ (638,086)
Adjustments to reconcile loss to net cash used in operating activities:		
Depreciation and amortization	41,004	35,478
Non-cash, stock-based compensation expense	118,205	111,757
Realized gain on sale of marketable securities	-	(727,473)
Changes in operating assets and liabilities:		
Accounts receivable	11,604	(93,611)
Inventories	(422,512)	(50,202)
Deposits	341,922	(176,000)
Income tax receivable and prepaid taxes	(230)	(51,319)
Prepaid expenses and other current assets	(125,624)	(50,183)
Accounts payable	225,880	122,077
Accrued employee compensation	(13,046)	(72,369)
Deferred revenue and other accrued expenses	(3,002)	13,543
Net cash used in operating activities from continuing operations	(1,166,904)	(1,576,388)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(110,762)	(29,679)
Proceeds from sale of marketable securities	-	728,938
Net cash (used in) provided by investing activities from continuing operations	(110,762)	699,259
<b>CASH FLOWS FROM DISCONTINUED OPERATIONS:</b>		
Cash flows from operating activities	-	378,503
Net cash provided by discontinued operations	-	378,503
<b>CHANGE IN CASH AND CASH EQUIVALENTS:</b>		
	(1,277,666)	(498,626)
Cash and cash equivalents, beginning of period	5,424,486	5,335,282
Cash and cash equivalents, end of period	\$ 4,146,820	\$ 4,836,656
<b>SUPPLEMENTAL INFORMATION:</b>		
Income taxes paid	\$ 2,790	\$ 10,800
Income taxes received	834	-

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



**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

**1) Business Overview and Management Plans**

We are a life sciences company focused on the development and commercialization of a novel, enabling, platform technology called pressure cycling technology (“PCT”). PCT uses cycles of hydrostatic pressure between ambient and ultra-high levels (up to 35,000 psi and greater) to control bio-molecular interactions.

Our pressure cycling technology uses internally developed instrumentation that is capable of cycling pressure between ambient and ultra-high levels at controlled temperatures to rapidly and repeatedly control the interactions of bio-molecules. Our instrument, the Barocycler®, and our internally developed consumables product line, which includes PULSE (Pressure Used to Lyse Samples for Extraction) Tubes as well as the ProteoSolve-Irs kit for the detergent-free extraction of proteins from lipid-rich samples, together make up the PCT Sample Preparation System (“PCT SPS”).

We have experienced negative cash flows from operations with respect to our pressure cycling technology business since its inception. As of March 31, 2008, we had available cash of approximately \$4.1 million. We believe that we have sufficient liquidity to fund our operations at their current level, and with planned increases in selected areas of our business, into early 2009. The extent to which we increase our operational costs is dependent upon our judgment of the investment required to successfully commercialize PCT and our ability to secure additional funding through equity or debt financings. If we are unable to increase the number of installations of Barocycler instruments and if we are unable to secure additional funding through equity or debt financings, we will be prepared to reduce our spending. We have developed plans based on these contingencies and such reductions of spending will include the delay of certain research and development projects and the reduction of the cost of our workforce. We believe that implementing such changes to our business plan will allow us to extend our existing cash balances into the middle of 2009, without significantly impacting our short-term commercialization efforts.

**2) Interim Financial Reporting**

The accompanying unaudited consolidated financial statements of Pressure BioSciences, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America (“generally accepted accounting principles” or “GAAP”) for interim financial information and with the instructions to the Quarterly Report on Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. For further information, refer to the audited consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K (the “Form 10-K”) for the fiscal year ended December 31, 2007.

**3) Summary of Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Pressure BioSciences, Inc., and its wholly-owned subsidiary PBI BioSeq, Inc.

*Use of Estimates*

To prepare our consolidated financial statements in conformity with generally accepted accounting principles, we are required to make significant estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In addition, significant estimates were made in projecting future cash flows to quantify impairment of assets, deferred tax assets and the costs associated with fulfilling our warranty obligations for the instruments that we sell, and in our calculation of fair value of stock options awarded. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates and assumptions used.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

*Revenue Recognition*

We recognize revenue in accordance with the Securities and Exchange Commission's ("SEC") Staff Accounting Bulletin ("SAB") No. 104, *Revenue Recognition* ("SAB 104"). Revenue is recognized when realized or earned when all the following criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred and risk of loss has passed to the customer; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured.

Our current instruments, the Barocyler NEP3229 and NEP2320, require a basic level of instrumentation expertise to set-up for initial operation. To support a favorable first experience for our customers, we send a representative to the customer site to install every Barocyler that we sell through our domestic sales force. The installation process includes uncrating and setting up the instrument and conducting an introductory user training course. Product revenue related to current Barocyler instrumentation is recognized upon the installation of our instrumentation at the customer location. Product revenue related to sales of PCT products to our foreign distributors is recognized upon shipment through a common carrier. We provide for the expected costs of warranty upon the recognition of revenue for the sales of our instrumentation. Our sales arrangements do not provide our customers with a right of return. Product revenue related to our consumable products such as PULSE Tubes and ProteoSolve-Irs kits is recorded upon shipment through a common carrier. Shipping costs are included in the costs of sales. Any shipping costs billed to customers are recognized as revenue.

In accordance with the Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 13, "*Accounting for Leases*", we account for our lease agreements under the operating method. We record revenue over the life of the lease term and we record depreciation expense on a straight-line basis over the thirty-six month estimated useful life of the Barocyler instrument. Many of our lease and rental agreements allow the lessee to purchase the instrument at any point during the term of the agreement with partial credit for rental payments previously made. The depreciation expense associated with assets under lease agreement is included in the "Cost of PCT products and services" line item in our Consolidated Statements of Operations. We pay all maintenance costs associated with the instrument during the term of the leases.

Revenue from government grants is recorded when expenses are incurred under the grant in accordance with the terms of the grant award.

Our transactions sometimes involve multiple elements (i.e., products and services). Revenue under multiple element arrangements is recognized in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-21, "*Accounting for Revenue Arrangements with Multiple Deliverables*". Under this method, if an element is determined to be a separate unit of accounting, the revenue for the element is based on fair value and determined by vendor specific objective evidence ("VSOE"), and recognized at the time of delivery. If an arrangement includes undelivered elements that are not essential to the functionality of the delivered elements, we defer the fair value of the undelivered elements with the residual revenue allocated to the delivered elements. Fair value is determined based upon the price charged when the element is sold separately. If there is not sufficient evidence of the fair value of the undelivered elements, no revenue is allocated to the delivered elements and the total consideration received is deferred until delivery of those elements for which objective and reliable evidence of the fair value is not available. We provide certain customers with extended service contracts and, to the extent VSOE is established, these service revenues are recognized ratably over the life of the contract which is generally one to four years.

*Cash and Cash Equivalents*

Our policy is to invest available cash in short-term, investment grade interest-bearing obligations, including money market funds, and bank and corporate debt instruments. Securities purchased with initial maturities of three months or less are valued at cost plus accrued interest, which approximates fair market value, and are classified as cash equivalents.

*Research and Development*

Research and development costs, which are comprised of costs incurred in performing research and development activities including wages and associated employee benefits, facilities, consumable products and overhead costs that are expensed as incurred. Our research activities are performed at our laboratories in Woburn, Massachusetts and Rockville, Maryland and in conjunction with the collaboration partner sites. In support of our research and development activities we utilize our Barocycler instruments that are capitalized as fixed assets and depreciated over their expected useful life.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

*Inventories*

Inventories are valued at the lower of cost or market. The composition of inventory as of March 31, 2008 and December 31, 2007 is as follows:

	March 31, 2008	December 31, 2007
Raw materials	\$ 44,615	\$ 28,115
Finished goods	550,445	144,433
<b>Total</b>	<b>\$ 595,060</b>	<b>\$ 172,548</b>

*Property and Equipment*

Property and equipment are stated at cost, less accumulated depreciation. For financial reporting purposes, depreciation is recognized using the straight-line method, allocating the cost of the assets over their estimated useful lives of three years for certain laboratory equipment, from three to five years for management information systems and office equipment, and three years for all PCT finished units classified as fixed assets.

*Intangible Assets*

We have classified as intangible assets, costs associated with the fair value of acquired intellectual property. Intangible assets including patents are being amortized on a straight-line basis over sixteen years. We perform a quarterly review of our intangible assets for impairment. When impairment is indicated, any excess of carrying value over fair value is recorded as a loss. An impairment analysis of intangible assets was performed as of December 31, 2007 and was reviewed as of March 31, 2008. We have concluded that no impairment of intangible assets had occurred.

*Long-Lived Assets and Deferred Costs*

In accordance with the FASB SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", if indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through the undiscounted future operating cash flows. If impairment is indicated, we measure the amount of such impairment by comparing the carrying value of the asset to the fair value of the asset and record the impairment as a reduction in the carrying value of the related asset and a charge to operating results. While our current and historical operating losses and cash flow are indicators of impairment, we performed an impairment analysis at December 31, 2007 and reviewed the analysis as of March 31, 2008 and determined that such long-lived assets were not impaired.

*Concentrations**Credit Risk*

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents and trade receivables. We have cash investment policies which, among other things, limit investments to investment-grade securities. We perform ongoing credit evaluations of our customers, and the risk with respect to

trade receivables is further mitigated by the fact that many of our customers are government institutions and university labs.

During the three months ended March 31, 2008 and 2007 our top five customers accounted for 84.2% and approximately 100% of our total revenues, respectively. During the three months ended March 31, 2008 and 2007, various agencies of the Federal Government of the United States in the aggregate accounted for 39.5% and 73.7% of our total revenues, respectively.

As of March 31, 2008 and December 31, 2007 our top five accounts receivable accounted for 96.9% and 93.8% of our total receivables balance, respectively. As of March 31, 2008 and December 31, 2007, various agencies of the Federal Government of the United States in the aggregate accounted for 47.6% and 40.9% of our total accounts receivable, respectively.

#### *Product Supply*

Source Scientific, LLC has been our sole contract manufacturer for all of our PCT instrumentation. We have initiated several engineering initiatives to position us for greater independence from any one supplier, and we are in the process of developing a network of manufacturers and sub-contractors to reduce our reliance on any single supplier. Until we develop a broader network of manufacturers and subcontractors, obtaining alternative sources of supply or manufacturing services could involve significant delays and other costs and challenges, and may not be available to us on reasonable terms, if at all. The failure of a supplier or contract manufacturer to provide sufficient quantities, acceptable quality and timely products at an acceptable price, or an interruption of supplies from such a supplier could harm our business and prospects.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

*Computation of Loss per Share*

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding. Diluted loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are anti-dilutive are excluded from this calculation. The following table illustrates our computation of loss per share for the three months ended March 31, 2008 and 2007.

	For the Three Months Ended March 31,	
	2008	2007
<b>Numerator:</b>		
Loss from continuing operations - basic and diluted	\$ (1,341,105)	\$ (259,583)
<b>Denominator:</b>		
Weighted Average Shares Outstanding - basic and diluted	2,192,175	2,065,425
Loss per share from continuing operations - basic and diluted	\$ (0.61)	\$ (0.13)
Shares excluded from calculations	196,785	101,089

*Accounting for Income Taxes*

Effective January 1, 2007, we adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes". This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition.

We account for income taxes under the asset and liability method, which requires recognition of deferred tax assets, subject to valuation allowances, and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of asset and liabilities for financial reporting and income tax purposes. A valuation allowance is established if it is more likely than not that all or a portion of the net deferred tax assets will not be realized.

*Accounting for Stock-Based Compensation*

We maintain equity compensation plans under which grants of incentive stock options and non-qualified stock options are granted to employees, independent members of our Board of Directors and outside consultants. We recognize

equity compensation expense over the requisite service period using the Black-Sholes formula to estimate the fair value of the stock options on the date of grant. Since January 1, 2006, we have accounted for our stock option expense in accordance with the provisions of SFAS No. 123 (revised 2004), "*Share-Based Payment*", or SFAS 123R.

We recognized stock-based compensation expense of \$118,205 and \$111,757 for the three months ended March 31, 2008 and 2007, respectively. The following table summarizes the effect of this stock-based compensation expense within each of the line items of our costs and expenses within our Consolidated Statement of Operations:

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**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

	For the Three Months Ended, March 31,	
	2008	2007
Cost of PCT products and services	\$ -	\$ 2,620
Research and development	43,237	49,494
Selling and marketing	33,032	15,995
General and administrative	41,936	43,648
Total stock-based compensation expense	\$ 118,205	\$ 111,757

The provisions of SFAS 123R require that we make an estimate of our forfeiture rate and adjust the expense that we recognize to reflect the estimated number of stock options that will go unexercised. Our historical forfeiture rate has been approximately 5%, so we used this historical rate as our assumption in calculating future stock-based compensation expense.

During the three months ended March 31, 2008 and 2007, the total fair value of stock options awarded was \$127,552 and \$267,805, respectively.

As of March 31, 2008, the total estimated fair value of unvested stock options to be amortized over their remaining vesting period was \$666,921. The non-cash, stock based compensation expense associated with the vesting of these options will be \$333,251 in 2008, \$238,311 in 2009, \$90,750 in 2010 and \$4,609 in 2011.

#### *Fair Value of Financial Instruments*

Due to their short maturities, the carrying amounts for cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate their fair value. Long-term liabilities are primarily related to liabilities transferred under contractual arrangements with carrying values that approximate fair value.

#### *Reclassifications*

Certain prior year amounts have been reclassified to conform to our current year presentation.

#### *Investment in Marketable Securities*

As of March 31, 2008 we held 0 shares of common stock of Panacos Pharmaceuticals, Inc. During the three months ended March 31, 2007 we sold 161,000 shares to generate a realized gain of \$727,473, on proceeds of \$728,938. During 2007 we accounted for this investment in accordance with the provisions of SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities" as securities available for sale.

#### *Advertising*

Advertising costs are expensed as incurred. During the three months ended March 31, 2008 and 2007, we incurred \$6,517 and \$0, respectively in advertising expense.

#### *Rent Expense*

Rental costs are expensed as incurred. During the three months ended March 31, 2008 and 2007, we incurred \$32,213 and \$20,520, respectively in rent expense for the use of our corporate office and research and development facilities.

**4) Discontinued Operations**

In June 2004, we transferred certain assets and liabilities of our PBI Source Scientific, Inc. subsidiary to a newly formed limited liability company known as Source Scientific, LLC. At the time of the transfer, we owned 100% of the ownership interests of Source Scientific, LLC. We subsequently sold 70% of our ownership interests of Source Scientific, LLC to Mr. Richard Henson and Mr. Bruce A. Sargeant pursuant to a purchase agreement (the "Source Scientific Agreement"). As a result of the sale of 70% of our ownership interests, Mr. Henson and Mr. Sargeant each owned 35% and we owned the remaining 30% of Source Scientific, LLC. Under the Source Scientific Agreement, we received notes receivable in the aggregate amount of \$900,000 (the "Notes") payable at the end of three years bearing 8% interest. The Source Scientific Agreement offered Mr. Henson and Mr. Sargeant the option ("the Option") to purchase our 30% ownership interest in Source Scientific, LLC until May 31, 2007, at an escalating premium (10-50%) over our initial ownership value, provided that they first paid off the Notes in their entirety.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

On May 29, 2007, we executed a consent agreement with Mr. Henson and Mr. Sargeant, Source Scientific LLC, and BIT Analytical Instruments, Inc. (“the Consent Agreement”) pursuant to which the Notes were repaid in full in the aggregate amount of \$1,201,534 in principal and interest, and Mr. Henson and Mr. Sargeant exercised their Option (through BIT Analytical Instruments, Inc.) to purchase our remaining 30% ownership interest in Source Scientific, LLC for an aggregate price of \$578,573. As a result of these transactions we no longer retain any direct or indirect ownership interest in Source Scientific, LLC.

During the three months ended March 31, 2007, Source Scientific, LLC reported a net loss of approximately \$483,000. In accordance with the SAB Topic 5E we recorded a charge in our Consolidated Statements of Operations equal to the net book value on our Consolidated Balance Sheet of \$378,503. Upon execution of the Consent Agreement we accounted for the total gain on the sale of our ownership interests in Source Scientific, LLC as discontinued operations. The charge that we recorded during the first quarter of 2007 has been reclassified to reflect this change.

**5) Commitments and Contingencies**

*Operating Leases*

Our corporate offices are currently located at 14 Norfolk Avenue, South Easton, Massachusetts 02375. In November 2007, we signed an 18 month lease agreement commencing in February 2008, pursuant to which we lease approximately 5,500 square feet of office space, with an option for an additional 18 months. We pay approximately \$6,500 per month for the use of these facilities.

On June 1, 2006, we entered into a lease agreement with Scheer Partners and the Maryland Economic Development Corporation, pursuant to which we lease laboratory and office space in Rockville, MD. In August 2007, we extended this lease agreement through May 31, 2009. We pay approximately \$3,300 per month for the use of these facilities.

On March 1, 2006, we entered into a sub-lease agreement with Proteome Systems, pursuant to which we lease approximately 650 square feet of laboratory space plus 100 square feet of office space from Proteome Systems in Woburn, Massachusetts. The lease period extends through December 31, 2008 and we pay approximately \$3,200 per month for the use of these facilities.

*Royalty Commitments*

In 1996, we acquired our initial equity interest in BioSeq, Inc., which at the time was developing our original pressure cycling technology. BioSeq, Inc. acquired its pressure cycling technology from BioMolecular Assays, Inc. under a technology transfer and patent assignment agreement. In 1998, we purchased all of the remaining outstanding capital stock of BioSeq, Inc., and at such time, the technology transfer and patent assignment agreement was amended to require us to pay BioMolecular Assays, Inc. a 5% royalty on our sales of products or services that incorporate or utilize the original pressure cycling technology that BioSeq, Inc. acquired from BioMolecular Assays, Inc. We are also required to pay BioMolecular Assays, Inc. 5% of the proceeds from any sale, transfer or license of all or any portion of the original pressure cycling technology. These payment obligations terminate in 2016. During the three months ended March 31, 2008 and 2007, we incurred approximately \$3,000 and \$2,000, respectively in royalty expense associated with our obligation to BMA Laboratories.

In connection with our acquisition of BioSeq, Inc., we licensed certain limited rights to the original pressure cycling technology back to BioMolecular Assays, Inc. This license is non-exclusive and limits the use of the original pressure cycling technology by BioMolecular Assays, Inc. solely for molecular applications in scientific research and development and in scientific plant research and development. BioMolecular Assays, Inc. is required to pay us a royalty equal to 20% of any license or other fees and royalties, but not including research support and similar payments, it receives in connection with any sale, assignment, license or other transfer of any rights granted to BioMolecular Assays, Inc. under the license. BioMolecular Assays, Inc. must pay us these royalties until the expiration of the patents held by BioSeq, Inc. in 1998, which we anticipate will be 2016. We have not received any royalty payments from BioMolecular Assays, Inc. under this license.

*Purchase Commitments*

In March 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 20 Barocycler NEP3229 units and nine demonstration (NEP2320) units to be used by our sales force. In connection with this purchase order, we placed deposits with Source Scientific, LLC in the amount of \$260,000. The nine demonstration (NEP2320) instruments were prototype units and were therefore billable on a time and materials basis. As of December 31, 2007 we took possession of all of these prototype NEP2320 units and the cost was expensed as incurred as research and development expense within our Consolidated Statements of Operations. The order for 20 NEP3229 units is based on a fixed bill of materials and we are billed for the complete cost of each unit as it is completed, net of the deposit we placed for each instrument. As of March 31, 2008, 16 of the NEP3229's had been completed. We expect the remaining 4 units to be completed and available for sale, lease or collaboration in the second quarter of 2008.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

In June 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 40 Barocycler NEP2320 units. In connection with this purchase order we placed a deposit with Source Scientific, LLC in the amount of \$140,000. In accordance with the terms of this purchase order, we are billed based on a fixed bill of materials, for the complete cost of each unit as it is completed, net of the deposit we placed for each instrument.

As of March 31, 2008, we had \$87,000 on deposit with Source for 14 remaining units pursuant to these purchase orders. As of December 31, 2007 we had \$379,000 on deposit with Source for 54 remaining units pursuant to open purchase orders.

*Indemnification*

In connection with our sale of substantially all of the assets of Boston Biomedica, Inc. (“BBI Core Businesses”) to SeraCare Life Sciences, Inc. in September 2004, we continue to be exposed to possible indemnification claims in amounts up to the purchase price of approximately \$29 million. Our indemnification obligations for breaches of some representations and warranties relating to compliance with environmental laws extend until September 14, 2009, representations and warranties relating to tax matters extend for the applicable statute of limitations period (which varies depending on the nature of claim), and representations and warranties relating to our due organization, subsidiaries, authorization to enter into and perform the transactions contemplated by the Asset Purchase Agreement and brokers fees, extend indefinitely.

*Severance and Change of Control Agreements*

Each of our executive officers, Mr. Schumacher, Mr. Myles, Dr. Ting, Dr. Lazarev, Dr. Lawrence, and Mr. Potter, is entitled to receive a severance payment if terminated by the Company without cause. The severance benefits would include a payment in an amount equal to one year of each executive officer’s annualized base salary compensation plus accrued paid time off. Additionally, each executive officer will be entitled to receive medical and dental insurance coverage for one year following the date of termination. The total commitment related to these agreements in the aggregate is approximately \$1.2 million.

Each of our executive officers, other than Mr. Schumacher, is entitled to receive a change of control payment in an amount equal to one year of such executive officer’s annualized base salary compensation, accrued paid time off, and medical and dental coverage, in the event of a change of control of the Company. In the case of Mr. Schumacher, this payment would be equal to two years of annualized base salary compensation, accrued paid time off, and two years of medical and dental coverage. The total commitment related to these agreements in the aggregate is approximately \$1.5 million.

**6) Stockholders’ Equity**

*Preferred Stock*

In 1996, our Board of Directors authorized the issuance of 1,000,000 shares of preferred stock with a par value of \$0.01. As of March 31, 2008 none of these shares have been issued.

*Common Stock*

*Shareholders Rights Plan*

On March 3, 2003, our Board of Directors adopted a shareholder rights plan (“the Rights Plan”) and declared a distribution of one Right for each outstanding share of our Common Stock to shareholders of record at the close of business on March 21, 2003 (the “Rights”). Initially, the Rights will trade automatically with the common stock and separate Right Certificates will not be issued. The Rights Plan is designed to deter coercive or unfair takeover tactics and to ensure that all of our shareholders receive fair and equal treatment in the event of an unsolicited attempt to acquire the Company. The Rights Plan was not adopted in response to any effort to acquire the Company and the Board is not aware of any such effort. The Rights will expire on February 27, 2013 unless earlier redeemed or exchanged. Each Right entitles the registered holder, subject to the terms of a Rights Agreement, to purchase from the Company one one-thousandth of a share of the Company’s Series A Junior Participating Preferred Stock at a purchase price of \$45.00 per one one-thousandth of a share, subject to adjustment. In general, the Rights will not be exercisable until a subsequent distribution date which will only occur if a person or group acquires beneficial ownership of 15% or more of our common stock or announces a tender or exchange offer that would result in such person or group owning 15% or more of the common stock. With respect to any person or group who currently beneficially owns 15% or more of our common stock, the Rights will not become exercisable unless and until such person or group acquires beneficial ownership of additional shares of common stock.

**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

Subject to certain limited exceptions, if a person or group acquires beneficial ownership of 15% or more of our outstanding common stock or if a current 15% beneficial owner acquires additional shares of common stock, each holder of a Right (other than the 15% holder whose Rights become void once such holder reaches the 15% threshold) will thereafter have a right to purchase, upon payment of the purchase price of the Right, that number of shares of our common stock which at the time of such transaction will have a market value equal to two times the purchase price of the Right. In the event that, at any time after a person or group acquires 15% or more of our common stock, we are acquired in a merger or other business combination transaction or 50% or more of our consolidated assets or earning power are sold, each holder of a Right will thereafter have the right to purchase, upon payment of the purchase price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the purchase price of the Right.

Our Board of Directors may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of common stock per Right (subject to adjustment). At any time prior to the time any person or group acquires 15% or more of our Common Stock, the Board of Directors may redeem the Rights in whole, but not in part, at a price of \$0.001 per Right.

Stock Options

On June 16, 2005, our stockholders approved our 2005 Equity Incentive Plan (the "Plan") pursuant to which an aggregate of 1,000,000 shares of our common stock were reserved for issuance upon exercise of stock options or other equity awards made under the Plan. Under the Plan, we may award stock options, shares of common stock, and other equity interests in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of March 31, 2008, options to acquire 914,000 shares were outstanding under the Plan.

We also have 244,000 stock options outstanding under our 1999 Non-qualified Plan and 9,500 stock options outstanding under our 1994 Incentive Stock Option Plan. As of March 31, 2008, there were 4,800 shares available for future grant under the 1999 Non-qualified Plan. The 1994 Incentive Stock Option Plan expired; therefore, there are no shares available for future grants under this plan.

The following tables summarize information concerning options outstanding and exercisable:

	Shares	Stock Options		Exercisable	Weighted Average price per share
		Weighted Average price per share			
Balance outstanding, 12/31/2007	1,120,500	\$ 3.45		691,166	\$ 3.23
Granted	47,000	4.36			
Exercised	-				
Expired	-				
Forfeited	-				
Balance outstanding, 3/31/2008	1,167,500	\$ 3.49		754,166	\$ 3.27

Options Outstanding  
Weighted Average

Options Exercisable  
Weighted Average

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Range of Exercise Prices	Number of Options	Remaining Contractual Life	Exercise Price	Number of Options	Remaining Contractual Life	Exercise Price
\$2.50 - \$2.70	159,000	4.4	\$ 2.64	159,000	4.4	\$ 2.64
2.71 - 3.08	343,000	6.4	2.96	276,333	6.2	2.97
3.09 - 3.95	389,500	8.1	3.71	191,833	7.9	3.71
3.96 - 5.93	276,000	8.7	4.32	127,000	7.6	4.05
\$2.50 - \$5.93	1,167,500	7.2	\$ 3.49	754,166	6.5	\$ 3.27

The aggregate intrinsic value of options outstanding and exercisable as of March 31, 2008 and December 31, 2007 is illustrated in the table below:

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**PRESSURE BIOSCIENCES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2008**

	March 31, 2008	December 31, 2007
Stock options, outstanding	\$ 361,925	\$ 2,162,565
Stock options, exercisable	399,708	1,486,007

Stock Buy-back Program

During the quarter ended September 30, 2006 our Board of Directors approved a stock buy-back program pursuant to which we are authorized to use up to \$500,000 of our cash resources to purchase shares of the Company's common stock in the open market or in privately negotiated transactions. We did not acquire any shares through our stock buy-back program during the three months ended March 31, 2008 and 2007.

Sale of Common Stock

On November 21, 2007, we completed a private placement pursuant to which we sold an aggregate of 126,750 shares of common stock, \$0.01 par value (the "Shares"), for a purchase price of \$5.00 per share, resulting in gross proceeds to us of approximately \$633,750 (the "Private Placement"). The Shares were issued and sold to a total of 8 accredited investors pursuant to a Securities Purchase Agreement entered into as of November 21, 2007 (the "Securities Purchase Agreement").

The Shares were issued in the Private Placement without registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance upon the exemption from registration set forth in Rule 506 of Regulation D ("Regulation D") promulgated under the Securities Act. We based such reliance upon representations made by each purchaser of Shares, including, but not limited to, representations as to the purchaser's status as an "accredited investor" (as defined in Rule 501(a) under Regulation D) and the purchaser's investment intent. The Shares were not offered or sold by any form of general solicitation or general advertising, as such terms are used in Rule 502 under Regulation D. The Shares may not be offered or sold in the United States absent an effective registration statement or an exemption from the registration requirements under applicable federal and state securities laws.

In connection with the Private Placement, we agreed to prepare and file a Registration Statement on Form S-3 (the "Registration Statement") covering the resale of the Shares purchased in the Private Placement, and to use our commercially reasonable efforts to cause such Registration Statement to be declared effective as promptly as possible after the filing thereof and to keep the Registration Statement continuously effective under the Securities Act until all shares covered by such Registration Statement have been sold, or may be sold without volume restrictions pursuant to Rule 144 (or any successor Rule under the Securities Act). The Registration Statement was declared effective by the SEC on January 22, 2008.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### ***SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS***

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In some cases, forward-looking statements are identified by terms such as “may”, “will”, “should”, “could”, “would”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “projects”, “predicts”, “potential”, and similar expressions intended to identify forward-looking statements. Such statements include, without limitation, statements regarding:

- our plans and expectations with respect to our pressure cycling technology (PCT) operations;
- potential growth in the market for our PCT products;
- market acceptance and the potential for commercial success of our PCT products;
- our belief that PCT provides a superior solution for sample preparation;
- the expected development and success of new product offerings;
- the potential applications for PCT;
- the expected benefits and results from our research and development efforts;
- the expected benefits and results from our collaboration program;
- our belief that we have sufficient liquidity to finance operations into early 2009;
- our expectation of obtaining additional research grants from the government in the future;
- the amount of cash necessary to operate our business;
- our ability to raise additional capital when needed;
- the availability of net operating losses to offset potential future operating income;
- general economic conditions; and
- the anticipated future financial performance and business operations of our company.

These forward-looking statements are only predictions and involve known and unknown risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by such forward-looking statements. Also, these forward-looking statements represent our estimates and assumptions only as of the date of this Report. Except as otherwise required by law, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this Report to reflect any change in our expectations or any change in events, conditions, or circumstances on which any of our forward-looking statements are based or to conform to actual results. Factors that could cause or contribute to differences in our future financial and operating results include those discussed in the risk factors set forth in Item 6 of our Annual Report on Form 10-K for the year ended December 31, 2007, as well as those discussed elsewhere in this Report. We qualify all of our forward-looking statements by these cautionary statements.

You should read this section in combination with the section entitled Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2007 included in our Annual Report on Form 10-K for the year ended December 31, 2007.

## **OVERVIEW**

We are a life sciences company focused on the development and commercialization of a novel, enabling, platform technology called pressure cycling technology (“PCT”). PCT uses cycles of hydrostatic pressure between ambient and ultra-high levels (up to 35,000 psi and greater) to control bio-molecular interactions.

Our pressure cycling technology uses internally developed instrumentation that is capable of cycling pressure between ambient and ultra-high levels at controlled temperatures to rapidly and repeatedly control the interactions of bio-molecules. Our instrument, the Barocycler®, and our internally developed consumables product line, which includes PULSE (Pressure Used to Lyse Samples for Extraction) Tubes as well as the ProteoSolve-Irs kit for the detergent-free extraction of proteins from lipid-rich samples, together make up the PCT Sample Preparation System (“PCT SPS”).

Our pressure cycling technology employs a unique approach that we believe has the potential for broad applications in a number of established and emerging life sciences areas, including;

- sample preparation for genomic, proteomic, and small molecule studies;
  - pathogen inactivation;
  - protein purification;
- control of chemical (enzymatic) reactions; and
  - immunodiagnostics.

Since we began operations as Pressure BioSciences in February 2005, we have focused substantially all of our research and development and commercialization efforts on sample preparation for genomic, proteomic, and small molecule studies.

Our business strategy is to commercialize pressure cycling technology in the area of sample preparation for genomic, proteomic, and small molecule studies (“sample preparation”). We also plan to pursue the further development and commercialization of PCT in other life sciences applications, which could include working with various strategic partners that have greater scientific and regulatory expertise in the respective applications than we do.

To support our current strategy, our primary focus in 2007 and the first quarter of 2008 was the execution of our commercialization plan for PCT in sample preparation. We increased our spending in important areas of our business during 2007 and 2008, including increased expenses associated with additional staff in the areas of sales and research and development to support our sales expansion and increased research and development activities.

If we are successful commercializing our technology in the sample preparation market, we believe that our financial results will be positively affected by a combination of the revenue from the sale, lease, and rental of the Barocycler instruments, and by the recurring revenue streams that we hope to realize from the sale of the single-use PULSE Tubes, PCT-dependent kits (such as ProteoSolve-Irs), and extended service contracts on our instrumentation. We believe the recurring revenue streams that could be generated from our instruments in the field is a very important component of our future financial success. Therefore, we believe that in the short-term it is more important for us to focus on increasing the number of installed Barocyclers in the field than it is for us to record revenue in the current period. To this end, we have offered our prospective customers the opportunity to lease or rent the Barocycler instruments. While these arrangements do not provide us with the immediate revenue of a sale, they do serve to expand the utilization of PCT and they provide a stream of revenue from the monthly rental income and the sale of consumable products. We define sales, leases, and rentals of Barocycler instruments as revenue-generating installations.

We also derive revenue from Small Business Innovation Research (“SBIR”) grants awarded to us by the National Institutes of Health. In September 2006, and in March 2007, we received SBIR Phase I grants in the aggregate amount of \$300,000. These grants have funded experiments to demonstrate the feasibility of using pressure cycling technology in various applications in the life sciences. If our work in SBIR Phase I grants is successful, then we expect to have the opportunity to apply for larger NIH SBIR Phase II grants. We have several SBIR Phase I and II grants under review at the present time. Additionally, if our work with the SBIR grants is successful, the publication of Application Notes in specific areas of research should further support our commercialization efforts.

## **RESULTS OF OPERATIONS**

### **Three Months Ended March 31, 2008 and 2007**

#### *Revenue*

We recognized revenue of \$132,376 for the three months ended March 31, 2008, as compared to \$131,621 for the same period in the prior year.

Revenue from the sale of PCT products and services was \$81,473 for the three months ended March 31, 2008 as compared to \$37,943 for the same period in the prior year. During the first quarter of 2008 we completed the installation of seven Barocycler instruments at customer locations, as compared to one in the same period of 2007. Also contributing to the increase in revenue was an increase in the number of PULSE Tubes and ProteoSolve-Irs kits sold. During the first quarter of 2008, four of our installations were completed pursuant to the terms of lease and rental agreements and three were outright sales.

We expect the number of units installed will continue to increase in future periods as we continue to commercialize our technology. We also expect that some portion of future installations will be for the smaller, lower priced, Barocycler NEP2320 model and some will be placed under lease or short-term rental agreements. Therefore, the average revenue per installation may fluctuate from period to period as we continue to drive our installed base and commercialize PCT.

During the three months ended March 31, 2008 and 2007, we recorded \$50,903 and \$93,678 of grant revenue, respectively, in connection with our two SBIR Phase 1 grants. This decrease in grant revenue was due to a shift in resources from grant related activities to other research and development projects.

#### *Cost of PCT Products and Services*

The cost of PCT products and services was \$48,449 for the three months ended March 31, 2008 compared to \$31,654 for the comparable period in 2007. This decrease in overall cost of goods sold as a percentage of revenue is due primarily to a shift in the product mix to include an increasing number of consumables and the sale of a Barocycler NEP2320 unit, which has a higher gross margin than the NEP3229.

We believe that our cost of PCT products and services will continue to improve as a percentage of revenue as we continue to install more instrumentation, and sell more consumable products, such as PULSE Tubes and ProteoSolve-Irs kits. However, we expect our gross margin may fluctuate from period to period as we continue to sell, lease, or rent a varying mix of Barocycler instrumentation.

#### *Research and Development*

Research and development expenditures increased to \$490,931 in the first quarter of 2008 as compared to \$461,532 in the same period in 2007. This increase in research and development expense was due primarily to the planned expansion of our research and development staff and an increase in the number of scientific projects our staff is managing within our own laboratories. This increase in headcount and project spending is consistent with our strategy to continue to evaluate and potentially offer new applications of PCT within the life sciences' sample preparation field.

Research and development expense recognized in the first quarter of 2008 and 2007 included \$43,237 and \$49,494, respectively, of non-cash, stock-based compensation expense. We expect the level of stock-based compensation expense for the remaining quarters of 2008 to be similar to the first quarter.

We plan to reduce the level of hiring in 2008, relative to 2007. Therefore, we expect our spending in this area to increase less significantly than it has in prior periods. We believe that with our existing staff, we can continue to pursue research and development programs, and continue to invest successfully in our intellectual property portfolio, in the sample preparation area.

*Selling and Marketing*

Selling and marketing expenses increased to \$463,161 for the three months ended March 31, 2008 from \$256,530 for the comparable period in 2007. This increase was the result of our growth from two selling and marketing employees in the first quarter of 2007 to nine in the first quarter of 2008.

During the first quarter of 2008 and 2007, selling and marketing expense included \$33,032 and \$15,995, respectively, of non-cash, stock-based compensation expense. We expect the level of stock-based compensation expense for the remaining quarters of 2008 to be similar to the first quarter.

We expect selling and marketing expense for the remaining quarters of 2008 to continue to increase relative to the expense incurred during the first quarter as we continue to develop and train our domestic sales force and expand our foreign distribution network. Additionally, we plan to continue our expansion of our marketing programs for the remainder of 2008 in order to drive toward successful commercialization of PCT.

#### *General and Administrative*

General and administrative costs totaled \$501,248 for the three months ended March 31, 2008, as compared to \$481,082 for the comparable period in 2007. The increase in general and administrative costs is due to increased spending in connection with Sarbanes-Oxley compliance, and our investor relations program.

Our general and administrative costs for the first quarter of 2008 included \$41,936 of stock-based compensation expense as compared to \$43,648 in the first quarter of 2007. We expect that the level of stock-based compensation expense to be recorded in the second quarter of 2008 will increase due to the expense associated with the award of 10,000 non-qualified, fully-vested stock options to each of the four independent members of our Board of Directors.

We expect that general and administrative spending, excluding stock-based compensation expense for the full year of 2008, to be approximately the same as it was in 2007. We will continue to incur costs in support of our investor relations programs, Sarbanes-Oxley compliance, and other requirements associated with being a publicly-traded company, and continued investment in the development of our infrastructure.

#### *Operating Loss from Continuing Operations*

Our operating loss from continuing operations was \$1,371,413 for the three months ended March 31, 2008 as compared to an operating loss from continuing operations of \$1,099,177 for the comparable period in 2007. The increase in operating loss from continuing operations was primarily the result of the planned increases in activities within our research and development and selling and marketing functions of our business.

The operating loss from continuing operations for the three months ended March 31, 2008 included \$118,205 of non-cash, stock-based compensation expense as compared to \$111,757 in the comparable period in 2007.

We expect our operating loss in 2008 to be higher than the operating loss incurred in 2007, due primarily to expected increased spending in our sales and marketing activities and, to a lesser extent, our research and development activities. We do, however, expect that the gross profit from increasing revenues will partially mitigate the impact of our increased spending on our overall operating loss.

#### *Realized gain of sale on securities held for sale*

In the three months ended March 31, 2007 we sold 161,000 shares of Panacos Pharmaceuticals and realized a gain on securities sold of \$727,473. We completed the liquidation of our investment in Panacos Pharmaceuticals during the second quarter of 2007.

#### *Interest Income*

Interest income totaled \$30,308 for the three months ended March 31, 2008 as compared to interest income of \$71,602 in the prior year period. The decrease is due to lower average cash balances and lower yields on these balances during

2008, as compared to 2007.

*Income Taxes from Continuing Operations*

In the quarter ended March 31, 2008, we did not record a benefit for income taxes from continuing operations. During the same period in 2007, we recorded a benefit for income taxes of \$40,519.

We do not expect to record any income tax benefit for the foreseeable future due to the fact that we are no longer able to carry back current losses against taxable income from prior periods and because we expect our operating losses to continue for several years. If we are successful commercializing PCT and if we are able to generate operating income, then we may be able to utilize the net operating loss carry-forwards that we generate.



*Gain on Assets Related to Discontinued Operations*

During the first half of 2007, we realized a gain on the sale of Source Scientific, LLC of \$1,155,973. This gain is comprised of the \$378,503 charge that we recorded in the first quarter of 2007 under the provisions of Staff Accounting Bulletin (“SAB”) Topic 5E, “Accounting for Divestiture of a Subsidiary or Other Business Operation (“SAB Topic 5E”)” and the gain of \$1,534,476, net of income taxes of \$218,060, that we recorded during the second quarter of 2007, the period in which we completed the sale. We recorded this gain in connection with the receipt on May 29, 2007 of \$1,780,071 from Mr. Richard W. Henson and Mr. Bruce A. Sargeant, the principals of Source Scientific, LLC, as full payment for their purchase of our remaining interest in that business.

Upon completion of the transaction, we accounted for the total gain on the sale of our ownership interests in Source Scientific, LLC as discontinued operations. The charge that we recorded during the first quarter of 2007, under the provisions of SAB Topic 5E, has been reclassified as discontinued operations to reflect this change.

*Net loss*

During the first quarter of 2008 we recorded a net loss of \$1,341,105 as compared to a net loss of \$638,086 in the first quarter of 2007. Our increase in net loss is the result of increased operating costs in 2008 relative to 2007 in all areas of our operations, most notably in our selling and marketing activities. Additionally, although we expect our revenue to increase, our net loss in 2008 will not be mitigated by the gain on sale of marketable securities, gain on sale of assets from discontinued operations, and the benefit from income taxes, as was the case in 2007. We therefore expect our net loss for the full year of 2008 to be higher than the net loss reported for the full year in 2007

**LIQUIDITY AND FINANCIAL CONDITION**

As of March 31, 2008, our working capital position was \$4,640,524, the primary components of which were cash and cash equivalents, accounts receivable, inventory, prepaid expenses, deposits, and income taxes receivable, partially offset by accounts payable, accrued employee compensation, and other accrued expenses. As of December 31, 2007, our working capital balance was \$5,933,822, the primary components of which were cash and cash equivalents, income taxes receivable, prepaid expenses, and deposits. We expect to continue to fund our operations from our working capital balance. We believe that we have sufficient cash and working capital to fund our operations into early 2009.

Net cash used in continuing operations for the three months ended March 31, 2008 was \$1,166,904 as compared to net cash used in continuing operations of \$1,576,388 for the three months ended March 31, 2007.

Net cash used by investing activities for the three months ended March 31, 2008 was \$110,762 as compared to cash provided of \$699,259 for the same period in the prior year. The cash used in the first three months of 2008 was the result of the purchase of furniture and fixtures associated with our move to new corporate offices. The cash generated in the same period in 2007 was entirely from the sale of 161,000 shares of Panacos common stock, partially offset by purchases of fixed assets.

There were no cash flows from discontinued operations during the three months of 2008. During the three months ended March 31, 2007, Source Scientific, LLC reported a net loss of approximately \$483,000. In accordance with SAB Topic 5E we recorded a charge in our Consolidated Statements of Operations equal to the net book value on our Consolidated Balance Sheet of \$378,503. In connection with the sale of our remaining 30% ownership interest in Source Scientific, LLC at the end of May 2007, we accounted for the total gain on the sale of our ownership interests in Source Scientific, LLC as discontinued operations. The charge that we recorded during the first quarter of 2007 has been reclassified to reflect this change.

**COMMITMENTS AND CONTINGENCIES**

*Operating Leases*

Our corporate offices are currently located at 14 Norfolk Avenue, South Easton, Massachusetts 02375. In November 2007, we signed an 18 month lease agreement commencing in February 2008, pursuant to which we lease approximately 5,500 square feet of office space, with an option for an additional 18 months. We pay approximately \$6,500 per month for the use of these facilities.

On June 1, 2006, we entered into a lease agreement with Scheer Partners and the Maryland Economic Development Corporation, pursuant to which we lease laboratory and office space in Rockville, MD. In August 2007, we extended this lease agreement through May 31, 2009. We pay approximately \$3,300 per month for the use of these facilities.

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On March 1, 2006, we entered into a sub-lease agreement with Proteome Systems, pursuant to which we lease approximately 650 square feet of laboratory space plus 100 square feet of office space from Proteome Systems in Woburn, Massachusetts. The lease period extends through December 31, 2008 and we pay approximately \$3,200 per month for the use of these facilities.

#### *Royalty Commitments*

In 1996, we acquired our initial equity interest in BioSeq, Inc., which at the time was developing our original pressure cycling technology. BioSeq, Inc. acquired its pressure cycling technology from BioMolecular Assays, Inc. under a technology transfer and patent assignment agreement. In 1998, we purchased all of the remaining outstanding capital stock of BioSeq, Inc., and at such time, the technology transfer and patent assignment agreement was amended to require us to pay BioMolecular Assays, Inc. a 5% royalty on our sales of products or services that incorporate or utilize the original pressure cycling technology that BioSeq, Inc. acquired from BioMolecular Assays, Inc. We are also required to pay BioMolecular Assays, Inc. 5% of the proceeds from any sale, transfer or license of all or any portion of the original pressure cycling technology. These payment obligations terminate in 2016. During the three months ended March 31, 2008 and 2007, we incurred approximately \$3,000 and \$2,000, respectively in royalty expense associated with our obligation to BMA Laboratories.

In connection with our acquisition of BioSeq, Inc., we licensed certain limited rights to the original pressure cycling technology back to BioMolecular Assays, Inc. This license is non-exclusive and limits the use of the original pressure cycling technology by BioMolecular Assays, Inc. solely for molecular applications in scientific research and development and in scientific plant research and development. BioMolecular Assays, Inc. is required to pay us a royalty equal to 20% of any license or other fees and royalties, but not including research support and similar payments, it receives in connection with any sale, assignment, license or other transfer of any rights granted to BioMolecular Assays, Inc. under the license. BioMolecular Assays, Inc. must pay us these royalties until the expiration of the patents held by BioSeq, Inc. in 1998, which we anticipate will be 2016. We have not received any royalty payments from BioMolecular Assays, Inc. under this license.

#### *Purchase Commitments*

In March 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 20 Barocycler NEP3229 units and nine demonstration (NEP2320) units to be used by our sales force. In connection with this purchase order, we placed deposits with Source Scientific, LLC in the amount of \$260,000. The nine demonstration (NEP2320) instruments were prototype units and were therefore billable on a time and materials basis. As of December 31, 2007 we took possession of all of these prototype NEP2320 units and the cost was expensed as incurred as research and development expense within our Consolidated Statements of Operations. The order for 20 NEP3229 units is based on a fixed bill of materials and we are billed for the complete cost of each unit as it is completed, net of the deposit we placed for each instrument. As of March 31, 2008, 16 of the NEP3229's had been completed. We expect the remaining 4 units to be completed and available for sale, lease or collaboration in the second quarter of 2008.

In June 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 40 Barocycler NEP2320 units. In connection with this purchase order we placed a deposit with Source Scientific, LLC in the amount of \$140,000. In accordance with the terms of this purchase order, we are billed based on a fixed bill of materials, for the complete cost of each unit as it is completed, net of the deposit we placed for each instrument.

As of March 31, 2008, we had \$87,000 on deposit with Source for 14 remaining units pursuant to these purchase orders. As of December 31, 2007 we had \$379,000 on deposit with Source for 54 remaining units pursuant to open purchase orders.

*Indemnification*

In connection with our sale of substantially all of the assets of Boston Biomedica, Inc. (“BBI Core Businesses”) to SeraCare Life Sciences, Inc. in September 2004, we continue to be exposed to possible indemnification claims in amounts up to the purchase price of approximately \$29 million. Our indemnification obligations for breaches of some representations and warranties relating to compliance with environmental laws extend until September 14, 2009, representations and warranties relating to tax matters extend for the applicable statute of limitations period (which varies depending on the nature of claim), and representations and warranties relating to our due organization, subsidiaries, authorization to enter into and perform the transactions contemplated by the Asset Purchase Agreement, and brokers fees, extend indefinitely.

### *Severance and Change of Control Agreements*

Each of our executive officers, Mr. Schumacher, Mr. Myles, Dr. Ting, Dr. Lazarev, Dr. Lawrence, and Mr. Potter, is entitled to receive a severance payment if terminated by the Company without cause. The severance benefits would include a payment in an amount equal to one year of each executive officer's annualized base salary compensation plus accrued paid time off. Additionally, each executive officer will be entitled to receive medical and dental insurance coverage for one year following the date of termination. The total commitment related to these agreements in the aggregate is approximately \$1.2 million.

Each of our executive officers, other than Mr. Schumacher, is entitled to receive a change of control payment in an amount equal to one year of such executive officer's annualized base salary compensation, accrued paid time off, and medical and dental coverage, in the event of a change of control of the Company. In the case of Mr. Schumacher, this payment would be equal to two years of annualized base salary compensation, accrued paid time off, and two years of medical and dental coverage. The total commitment related to these agreements in the aggregate is approximately \$1.5 million.

### **RECENT ACCOUNTING STANDARDS**

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring the fair value of assets and liabilities, and expands disclosure requirements regarding the fair value measurement. SFAS 157 does not expand the use of fair value measurements. This statement, as issued, is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. FASB Staff Position (FSP) FAS No. 157-2 was issued in February 2008 and deferred the effective date of SFAS 157 for nonfinancial assets and liabilities to fiscal years beginning after November 2008. As such, the Company adopted SFAS 157 as of January 1, 2008 for financial assets and liabilities only. There was no significant effect on the Company's financial statements. As of March 31, 2008, the Company's financial assets subject to SFAS 157 consisted of held to maturity investments in marketable securities and investments in non-publicly traded companies; financial liabilities consisted of derivatives for forward contracts. The Company determined fair value for the investments in marketable securities and the derivative liabilities based on quoted market prices in active markets (i.e. Level 1 as defined under SFAS 157); fair value for investments in non-publicly traded companies was based on third party valuation models (i.e. Level 2 as defined under SFAS 157). The Company does not believe that the adoption of SFAS 157 to non-financial assets and liabilities will significantly effect its financial statements.

In December 2007, the FASB issued SFAS 141 (revised 2007), "*Business Combinations*" ("SFAS 141(R)") and SFAS No. 160, "*Non-controlling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*" ("SFAS 160").

SFAS 141(R) significantly changes the accounting for business combinations. Under SFAS 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date at fair value with limited exceptions. SFAS 141(R) further changes the accounting treatment for certain specific items, including:

- Acquisition costs will be generally expensed as incurred;

- Noncontrolling interests (formerly known as "minority interests" – see SFAS 160 discussion below) will be valued at fair value at the acquisition date;

- Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

- In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;
- Restructuring costs associated with a business combination will be generally expensed subsequent to the acquisition date; and
- Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS 141(R) includes a substantial number of new disclosure requirements. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after January 1, 2009.

SFAS 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Specifically, this statement requires the recognition of non-controlling interests (minority interests) as equity in the consolidated financial statements and separate from the parent's equity. The amount of net income attributable to non-controlling interests will be included in consolidated net income on the face of the income statement. SFAS 160 clarifies that changes in a parent's ownership interest in a subsidiary that does not result in deconsolidation are treated as equity transactions if the parent retains its controlling financial interest. In addition, this statement requires that a parent recognize a gain or loss in net income when a subsidiary is deconsolidated. Such gain or loss will be measured using the fair value of the non-controlling equity investment on the deconsolidation date. SFAS 160 also includes expanded disclosure requirements regarding the interests of the parent and its non-controlling interest.

SFAS 160 is effective for fiscal years, and interim periods within such year, beginning January 1, 2009. Early adoption of both SFAS 141(R) and SFAS 160 is prohibited. We do not expect that either SFAS 141(R) or SFAS 160 will have a material affect on our consolidated results of operations and financial condition.

#### **ITEM 4T. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of March 31, 2008, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize, and report information required to be included in our periodic SEC filings within the required time period and to ensure that information required to be disclosed in such reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



**PART II. OTHER INFORMATION**

None

**ITEM 6. EXHIBITS**

<b>Exhibits</b>		<b>Reference</b>
31.1	Principal Executive Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Principal Financial Officer Certification Pursuant to Item 601(b)(31) of Regulation S-K, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Principal Executive Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.2	Principal Financial Officer Certification Pursuant to Item 601(b)(32) of Regulation S-K, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PRESSURE BIOSCIENCES, INC.**

Date: May 9, 2008

By: */s/ Richard T. Schumacher*  
Richard T. Schumacher  
President, Chief Executive Officer & Treasurer  
(Principal Executive Officer)

Date: May 9, 2008

By: */s/ Edward H. Myles*  
Edward H. Myles  
Senior Vice President of Finance & Chief  
Financial Officer  
(Principal Financial and Accounting Officer)