

PRESSURE BIOSCIENCES INC
Form 10-Q
August 10, 2009

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 June 30, 2009 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes " No "

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):

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 June 30, 2009 was 2,195,283.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | June 30, 2009 | December 31, 2008 |
|---|---------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,489,015 | \$ 868,208 |
| Restricted cash | 20,000 | 50,000 |
| Accounts receivable, net of allowances of \$54,600 at June 30, 2009 and \$0 at December 31, 2008 | 156,340 | 209,117 |
| Inventories | 751,065 | 571,831 |
| Deposits | 13,872 | 382,236 |
| Prepaid income taxes | 3,176 | 6,600 |
| Income tax receivable | 623,262 | - |
| Prepaid expenses and other current assets | 66,162 | 235,111 |
| Total current assets | 3,122,892 | 2,323,103 |
| PROPERTY AND EQUIPMENT, NET | 246,818 | 252,249 |
| OTHER ASSETS | | |
| Intangible assets, net | 255,342 | 279,658 |
| TOTAL ASSETS | \$ 3,625,052 | \$ 2,855,010 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 199,477 | \$ 263,486 |
| Accrued employee compensation | 153,093 | 161,374 |
| Accrued professional fees and other | 235,184 | 278,982 |
| Deferred revenue | 161,667 | 16,705 |
| Total current liabilities | 749,421 | 720,547 |
| LONG TERM LIABILITIES | | |
| Deferred revenue | 3,380 | 10,821 |
| TOTAL LIABILITIES | 752,801 | 731,368 |
| COMMITMENTS AND CONTINGENCIES (Note 4) | | |
| STOCKHOLDERS' EQUITY | | |
| Preferred stock, \$.01 par value; 1,000,000 shares authorized; 156,980 shares issued and outstanding on June 30, 2009 and 0 shares on December 31, 2008 | 1,570 | - |
| Common stock, \$.01 par value; 20,000,000 shares authorized; 2,195,283 shares issued and outstanding on June 30, 2009 and on December 31, 2008 | 21,953 | 21,953 |
| Warrants to acquire preferred stock and common stock | 882,253 | - |
| Additional paid-in capital | 8,230,293 | 6,803,530 |

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| | | |
|--|--------------|--------------|
| Accumulated deficit | (6,263,818) | (4,701,841) |
| Total stockholders' equity | 2,872,251 | 2,123,642 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 3,625,052 | \$ 2,855,010 |

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 June 30, | | For the Six Months Ended June 30, | |
|---|--|----------------|--------------------------------------|----------------|
| | 2009 | 2008 | 2009 | 2008 |
| REVENUE: | | | | |
| PCT Products, services, other | \$ 159,202 | \$ 117,698 | \$ 381,344 | \$ 199,171 |
| Grant revenue | 111,179 | 2,486 | 195,799 | 53,389 |
| Total revenue | 270,381 | 120,184 | 577,143 | 252,560 |
| COSTS AND EXPENSES: | | | | |
| Cost of PCT products and services | 90,820 | 88,434 | 231,063 | 136,883 |
| Research and development | 315,046 | 461,672 | 622,270 | 952,603 |
| Selling and marketing | 252,464 | 521,606 | 530,880 | 984,767 |
| General and administrative | 427,384 | 635,672 | 858,174 | 1,136,920 |
| Total operating costs and expenses | 1,085,714 | 1,707,384 | 2,242,387 | 3,211,173 |
| Operating loss | (815,333) | (1,587,200) | (1,665,244) | (2,958,613) |
| Interest income | 1,284 | 16,549 | 3,687 | 46,857 |
| Loss before income taxes | (814,049) | (1,570,651) | (1,661,557) | (2,911,756) |
| Income tax benefit | - | - | 623,262 | - |
| Net loss | (814,049) | (1,570,651) | (1,038,295) | (2,911,756) |
| Accrued preferred stock dividend | (33,880) | - | (33,880) | - |
| Net loss to common shareholders | \$ (847,929) | \$ (1,570,651) | \$ (1,072,175) | \$ (2,911,756) |
| Loss per common share - basic and diluted | \$ (0.39) | \$ (0.72) | \$ (0.49) | \$ (1.33) |
| Weighted average number of shares used to calculate loss per share - basic and diluted | 2,195,283 | 2,193,598 | 2,195,283 | 2,192,883 |

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 Six Months Ended June 30, | |
|---|--------------------------------------|----------------|
| | 2009 | 2008 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss to common shareholders | \$ (1,072,175) | \$ (2,911,756) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 94,679 | 98,079 |
| Stock-based compensation expense | 252,861 | 369,994 |
| Bad debt expense | 55,600 | - |
| Changes in operating assets and liabilities: | | |
| Restricted cash | 30,000 | - |
| Accounts receivable | (2,823) | (4,487) |
| Inventories | (179,234) | (503,968) |
| Deposits | 368,364 | 538,011 |
| Income tax receivable | (623,262) | - |
| Accounts payable | (64,009) | 91,993 |
| Accrued employee compensation | (8,281) | (50,224) |
| Deferred revenue and other accrued expenses | 93,723 | 21,353 |
| Prepaid expenses and other current assets | 172,373 | (122,568) |
| Net cash used in operating activities | (882,184) | (2,473,573) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property and equipment | (64,932) | (124,892) |
| Net cash used in investing activities | (64,932) | (124,892) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net proceeds from the issuance of common stock | - | 9,750 |
| Net proceeds from the issuance of preferred stock | 1,567,923 | - |
| Net cash provided by financing activities | 1,567,923 | 9,750 |
| Change in cash and cash equivalents | 620,807 | (2,588,715) |
| Cash and cash equivalents, beginning of period | 868,208 | 5,424,486 |
| Cash and cash equivalents, end of period | \$ 1,489,015 | \$ 2,835,771 |
| SUPPLEMENTAL INFORMATION: | | |
| Income taxes paid | \$ - | \$ 2,790 |
| 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 JUNE 30, 2009

1) Business Overview and Management Plans

Pressure BioSciences, Inc. (“PBI or the Company”) is 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 instrumentation that is capable of cycling pressure between ambient and ultra-high levels (up to 35,000 psi or greater), at user-defined temperatures, to rapidly and repeatedly control the interactions of bio-molecules. Our pressure-generating instrument is called the Barocycler®. Our PCT-related consumables product line includes PULSE (Pressure Used to Lyse Samples for Extraction) Tubes, MicroTubes, and application specific (“ProteoSolve”) kits. Our Barocycler instrument, together with our consumable processing tubes and kits 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 June 30, 2009, we had cash of approximately \$1.5 million. During 2008, we undertook a number of cost reduction measures: including a comprehensive restructuring program - to significantly reduce costs, centralize core operations, and refocus our business strategy in specific areas where our products have found significant market acceptance. The restructuring program included: a reduction in personnel of eight full-time employees (40% of the workforce), reduction in travel and meeting attendance for all personnel, continued reduction in investor relations activities, decreases in the base salary of most of our employees and all of our executive officers, a shutdown of our R&D facility in Rockville, MD, a consolidation of our R&D activities in Massachusetts, and delay of several research & development and marketing programs. These initiatives have significantly decreased our rate of cash utilization, from just under \$1 million per quarter in the second half of 2008 to an average of approximately \$600,000 per quarter during 2009. We also believe that these actions, taken together with the proceeds we received from our \$1.8 million equity financing completed in February 2009, will enable us to extend our cash resources into the second quarter of 2010.

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. 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 and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. 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, 2008.

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 are 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, in our calculation of fair value of stock options awarded, and our allocation of the proceeds from the equity financing between the preferred stock and warrants sold. 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 JUNE 30, 2009

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 Barocycler 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 highly trained technical representative to the customer site to install every Barocycler that we sell, lease, or rent through our domestic sales force. The installation process includes uncrating and setting up the instrument, followed by introductory user training. Product revenue related to current Barocycler instrumentation is recognized upon the completion of the installation and introductory training process of the instrumentation at the customer location, for domestic installations. Product revenue related to sales of PCT instrumentation 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, MicroTubes, and application specific kits is recorded upon shipment through a common carrier. Shipping costs are included in sales and marketing expense. 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 Barocycler instrument. 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. 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 or full credit for payments previously made. 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 - are expensed as incurred. Our research and development activities are performed at our facility in Massachusetts in conjunction with our 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 JUNE 30, 2009

Inventories

Inventories are valued at the lower of cost or market. The composition of inventory as of June 30, 2009 and December 31, 2008 is as follows:

| | June 30, 2009 | December 31, 2008 |
|----------------|-------------------|----------------------|
| Raw materials | \$ 122,852 | \$ 83,451 |
| Finished goods | 628,213 | 488,380 |
| Total | \$ 751,065 | \$ 571,831 |

Our finished goods inventory as of June 30, 2009 included 56 Barocycler instruments, of which 40 instruments were placed into finished goods inventory in the first quarter of 2009. Our finished goods inventory as of December 31, 2008 included 34 Barocycler instruments. We transferred one unit from inventory to our laboratory facility for internal use.

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 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, 2008, and we reviewed the analysis as of June 30, 2009. No triggering event for impairment has come to our attention to cause us to record an impairment of intangible assets as of June 30, 2009.

Long-Lived Assets and Deferred Costs

In accordance with 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 test as of December 31, 2008 and we reviewed the analysis as of June 30, 2009. We have concluded that there is no impairment of long-lived assets.

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, large pharmaceutical and biotechnology companies, and academic laboratories.

PRESSURE BIOSCIENCES, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 AS OF JUNE 30, 2009

The following tables illustrate the level of concentration as a percentage of total revenues during the three months and six months ended June 30, 2009 and 2008:

| | For the Three Months Ended June 30, | |
|--------------------|---|------|
| | 2009 | 2008 |
| Top Five Customers | 78% | 89% |
| Federal Agencies | 48% | 4% |

| | For the Six Months Ended June 30, | |
|--------------------|--------------------------------------|------|
| | 2009 | 2008 |
| Top Five Customers | 60% | 69% |
| Federal Agencies | 38% | 22% |

The following table illustrates the level of concentration as a percentage of net accounts receivable balance as of June 30, 2009 and December 31, 2008:

| | June 30, | December |
|--------------------|----------|-------------|
| | 2009 | 31, 2008 |
| Top Five Customers | 70% | 81% |
| Federal Agencies | 15% | 1% |

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 continuing to develop a network of manufacturers and sub-contractors to reduce our reliance on any single supplier for PCT components. Until we develop a 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.

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, convertible preferred stock, common stock dividends, warrants to acquire preferred stock convertible into common stock, and warrants and options to acquire common stock, are all considered common stock equivalents in periods in which they have a dilutive effect and are excluded from this calculation in periods in which these are anti-dilutive.

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The following table illustrates our computation of loss per share for the three months and six months ended June 30, 2009 and 2008:

| | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|------------------|--------------------------|------------------|
| | June 30, 2009 | June 30, 2008 | June 30, 2009 | June 30, 2008 |
| Numerator: | | | | |
| Net loss | \$ (814,049) | \$ (1,570,651) | \$ (1,038,295) | \$ (2,911,756) |
| Accrued preferred stock dividend | (33,880) | - | (33,880) | - |
| Loss - basic and diluted | \$ (847,929) | \$ (1,570,651) | \$ (1,072,175) | \$ (2,911,756) |
| Denominator: | | | | |
| Weighted average shares outstanding - basic and diluted | 2,195,283 | 2,193,598 | 2,195,283 | 2,192,883 |
| Loss per common share - basic and diluted | \$ (0.39) | \$ (0.72) | \$ (0.49) | \$ (1.33) |
| Shares excluded from calculations | 215,586 | 145,313 | 105,478 | 187,970 |

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PRESSURE BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2009

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 assets 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. If substantial changes in the company's ownership should occur, as defined in Section 382 of the Internal Revenue Code, there could be sufficient limitations on the amount of net loss carryforwards that could be used to offset future taxable income.

In the first half of 2009, we recorded a benefit for income taxes of \$623,262 due to provisions in the American Recovery and Reinvestment Act of 2009 relating to net operating loss carry-backs. The cash has been received during the second half of 2009. There was no provision for an income tax benefit during the same period in 2008. Aside from the impact of the passage of this congressional act, we do not expect any additional income tax benefits relating to carry-backs to prior periods. If we are successful in commercializing PCT and in generating operating income, then we may be able to utilize certain net operating losses we may have at the time against such future operating profits.

Accounting for Stock-Based Compensation

We maintain equity compensation plans under which 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-Scholes 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 \$106,957 and \$251,789 for the three months ended June 30, 2009 and 2008, 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 Statements of Operations:

| | For the Three Months Ended, June 30, | |
|--|--------------------------------------|------------|
| | 2009 | 2008 |
| Research and development | \$ 46,885 | \$ 53,633 |
| Selling and marketing | 17,366 | 42,200 |
| General and administrative | 42,706 | 155,956 |
| Total stock-based compensation expense | \$ 106,957 | \$ 251,789 |

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We recognized stock-based compensation expense of \$252,860 and \$369,994 for the six months ended June 30, 2009 and 2008, 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 Statements of Operations:

| | For the Six Months Ended, June 30, | |
|--|------------------------------------|------------|
| | 2009 | 2008 |
| Research and development | \$ 99,857 | \$ 96,870 |
| Selling and marketing | 38,574 | 75,232 |
| General and administrative | 114,429 | 197,892 |
| Total stock-based compensation expense | \$ 252,860 | \$ 369,994 |

PRESSURE BIOSCIENCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2009

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 rate as our assumption in calculating future stock-based compensation expense.

During the three months ended June 30, 2009 and 2008, the total fair value of stock options awarded was \$6,890 and \$100,556, respectively. During the six months ended June 30, 2009 and 2008, the total fair value of stock options awarded was \$258,620 and \$228,108, respectively.

As of June 30, 2009, the total estimated fair value of unvested stock options to be amortized over their remaining vesting period was \$372,077. The non-cash, stock based compensation expense associated with the vesting of these options is expected to be \$153,945 in 2009, \$177,568 in 2010 and \$40,564 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.

Advertising

Advertising costs are expensed as incurred. During the three months ended June 30, 2009, we did not incur any advertising expenses but in the same period last year, we incurred \$19,585 in advertising expense. During the six months ended June 30, 2009 and 2008, we incurred \$304 and \$26,102 respectively in advertising expense.

Rent Expense

Rental costs are expensed as incurred. During the three months ended June 30, 2009 and 2008, we incurred \$19,416 and \$39,505, respectively in rent expense for the use of our corporate office and research and development facilities. During the six months ended June 30, 2009 and 2008, we incurred \$43,989 and \$71,718, respectively in rent expense for the use of our corporate office and research and development facilities.

4) 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 12 months. We exercised the renewal option to extend the lease term until July 14, 2010. We pay approximately \$6,500 per month for the use of these facilities.

Effective January 1, 2009, we terminated our lease agreement with Scheer Partners and the Maryland Economic Development Corporation, pursuant to which we leased laboratory and office space in Rockville, MD. We paid approximately \$3,300 per month for the use of these facilities through December 31, 2008 with no further obligation.

Effective January 31, 2009, we terminated our sub-lease agreement with Proteome Systems, pursuant to which we leased approximately 650 square feet of laboratory space plus 100 square feet of office space from Proteome Systems in Woburn, Massachusetts. We paid approximately \$3,200 per month for the use of these facilities through January 31, 2009 with no further obligation.

In connection with the reduction of staff levels and consolidation of operations in Rockville, MD and Woburn, MA, the Company moved its research and development activities within Massachusetts.

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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. (“BMA”) 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 BMA a 5% royalty on our sales of products or services that incorporate or utilize the original pressure cycling technology that BioSeq, Inc. acquired from BMA. We are also required to pay BMA 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 June 30, 2009 and 2008, we incurred \$6,176 and \$5,451, respectively in royalty expense associated with our obligation to BMA. During the six months ended June 30, 2009 and 2008, we incurred \$15,002 and \$8,451, respectively in royalty expense associated with our obligation to BMA.

In connection with our acquisition of BioSeq, Inc., we licensed certain limited rights to the original pressure cycling technology back to BMA. This license is non-exclusive and limits the use of the original pressure cycling technology by BMA solely for molecular applications in scientific research and development and in scientific plant research and development. BMA 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 BMA under the license. BMA must pay us these royalties until the expiration of the patents held by BioSeq, Inc. in 1998, which we anticipate will be in 2016. We have not received any royalty payments from BMA under this license.

Battelle Memorial Institute

In December 2008, we entered into an exclusive patent license agreement with the Battelle Memorial Institute (“Battelle”). The licensed technology is described in the patent application filed by Battelle on July 31, 2008 (US serial number 12/183,219). This application includes subject matter related to a method and a system for improving the analysis of protein samples, including through an automated system utilizing pressure and a pre-selected agent to obtain a digested sample in a significantly shorter period of time than current methods, while maintaining the integrity of the sample throughout the preparatory process. Pursuant to the terms of the agreement we paid Battelle a non-refundable initial fee. In addition to royalty payments on net sales on “licensed products”, we are obligated to make minimum royalty payments for each year that we retain the rights outlined in the patent license agreement and we are required to have our first commercial sale of the licensed products within one year following the issuance of the patent covered by the licensed technology.

Purchase Commitments

On September 18, 2008, we submitted a purchase order to Source Scientific, LLC, the manufacturer of the Company’s PCT Barocycler instrumentation, for 50 Barocycler NEP2320 units. Pursuant to the terms of the purchase order, we placed a deposit with Source Scientific, LLC, of approximately \$100,000, representing approximately 25% of the expected total value of the order, upon submission of the purchase order. On November 12, 2008, we placed an additional deposit of approximately \$100,000 with Source Scientific, LLC to provide them with funds required to commence manufacturing of the NEP2320 units ordered. The purchase price for the 50 Barocycler NEP2320 units is based upon a fixed bill of materials. We were billed for the unpaid purchase price of each unit at the time each unit was completed and ready for sale.

As of December 31, 2008 we had approximately \$163,000 on deposit with Source Scientific, LLC for 40 remaining units pursuant to open purchase orders. In addition, in December 2008, we put the remaining \$203,758 amount of the purchase order in an escrow account, which funds were to be released to pay the remaining balance due when units were completed. The amount held in escrow is included as a component within the line item Deposits on the balance sheet. As of June 30, 2009, we had no funds on deposit with Source Scientific, LLC because the remaining units pursuant to the purchase order were completed and received by the Company during the first quarter of 2009.

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.

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Severance and Change of Control Agreements

Each of our executive officers 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 \$1.0 million.

Each of our executive officers, other than Mr. Richard T. Schumacher, our President and Chief Executive Officer, 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 \$1.3 million.

5) 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 June 30, 2009, 608,696 shares of preferred stock have been designated as Series A Convertible Preferred Stock, par value \$0.01 per share ("Series A Convertible Preferred Stock"), of which 156,980 shares are issued and outstanding, and 20,000 shares of preferred stock have been designated as Series A Junior Participating Preferred Stock, none of which are issued and outstanding.

On February 12, 2009, we completed a private placement, pursuant to which we sold an aggregate of 156,980 units for a purchase price of \$11.50 per unit (the "Purchase Price"), resulting in gross proceeds to us of \$1,805,270 (the "Private Placement"). Each unit consisted of (i) one share of a newly created series of preferred stock, designated "Series A Convertible Preferred Stock," par value \$0.01 per share (the "Series A Convertible Preferred Stock") convertible into 10 shares of our common stock, (ii) a warrant to purchase one share of Series A Convertible Preferred Stock at an exercise price equal to \$12.50 per share, with a term expiring 15 months after the date of closing ("15 Month Preferred Stock Warrant"); and (iii) a warrant to purchase 10 shares of common stock at an exercise price equal to \$2.00 per share, with a term expiring 30 months after the date of closing (the "30 Month Common Stock Warrants"). We did not pay any placement fees associated with this transaction but the expenses related to the offering totaled approximately \$233,000.

The proceeds from the sale of each unit was allocated between the Series A Convertible Preferred Stock, the 15 Month Preferred Stock Warrant and the 30 Month Common Stock Warrant based on the relative estimated fair value of each security. The estimated fair value of the warrants were determined using the Black-Scholes formula, resulting in an allocation of the gross proceeds of \$882,253 to the total warrants issued. The allocation of the gross proceeds to the Series A Convertible Preferred Stock was \$923,017. In accordance with the provisions of Emerging Industry Task Force Issue 00-27: Application of Issue No. 98-5 to Certain Convertible Instruments, an additional adjustment between Additional Paid in Capital and Accumulated Deficit of \$489,803 was recorded to reflect an implicit non-cash dividend related to the allocation of proceeds between the stock and warrants issued.

Series A Convertible Preferred Stock

Each share of Series A Convertible Preferred Stock will receive a cumulative dividend at the rate of 5% per annum of the Purchase Price, payable semi-annually on June 30 and December 31, commencing on June 30, 2009 (with the first payment to be pro-rated based on the number of days occurring between the date of issuance and June 30, 2009). Dividends may be paid in cash or in shares of common stock at our option, subject to certain conditions. The shares of Series A Convertible Preferred Stock also are entitled to a liquidation preference, such that in the event of any voluntary or involuntary liquidation, dissolution or winding up of our company, the holders of Series A Convertible Preferred Stock will be paid out of the assets of the Company available for distribution to the our stockholders before any payment shall be paid to the holders of common stock, an amount per share equal to the Purchase Price, plus accrued and unpaid dividends. The Board has not approved nor determined the method of payment for the June 30, 2009 dividend.

Each share of Series A Convertible Preferred Stock is convertible into 10 shares of common stock at any time at the option of the holder, subject to adjustment for stock splits, stock dividends, recapitalizations and similar transactions (the "Conversion Ratio"). Unless waived under certain circumstances by the holder of Series A Convertible Preferred Stock, such holder's shares of Series A Convertible Preferred Stock may not be converted if upon such conversion the holder's beneficial ownership would exceed certain thresholds. Each share of Series A Convertible Preferred Stock will automatically be converted into shares of common stock at the Conversion Ratio then in effect: (i) if, after 12 months from the closing of the Private Placement, the common stock trades on the Nasdaq Capital Market (or other primary trading market or exchange on which the common stock is then traded) at a price equal to \$4.00 for 20 out of 30 consecutive trading days with average daily trading volume of at least 10,000 shares or (ii) upon a registered public offering by the Company at a per share price equal to \$2.30 with aggregate gross proceeds to the Company of not less than \$10 million.

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The holders of Series A Convertible Preferred Stock are not entitled to vote on any matters presented to the stockholders of the Company for their action or consideration at any meeting of stockholders of the Company (or by written consent of stockholders in lieu of meeting), except that the holders of Series A Convertible Preferred Stock may vote separately as a class on any matters that would amend, alter or repeal any provision of our Restated Articles of Organization, as amended, in a manner that adversely affects the powers, preferences or rights of the Series A Convertible Preferred Stock and such holders may also vote on any matters required by law.

At any time after February 11, 2014, upon 30 days written notice, we have the right to redeem the outstanding shares of Series A Convertible Preferred Stock at a price equal to the Purchase Price, plus all accrued and unpaid dividends thereon. The redemption price may be paid in two annual installments.

Warrants

The warrants have the following exercise prices and terms: (i) the 15 Month Preferred Stock Warrants have an exercise price equal to \$12.50 per share, with a term expiring on May 12, 2010; and (ii) the 30 Month Common Stock Warrants have an exercise price equal to \$2.00 per share, with a term expiring on August 12, 2011. Unless waived under certain circumstances by the holder of the warrant, such holder's warrants may not be exercised if upon such exercise the holder's beneficial ownership would exceed certain thresholds.

Each of the 15 Month Preferred Stock Warrants and the 30 Month Common Stock Warrants permit the holder to conduct a "cashless exercise" at any time after the holder of the warrant becomes an "affiliate" (as defined in the Securities Purchase Agreement) of the Company.

The warrant exercise price and/or number of shares issuable upon exercise of the applicable warrant will be subject to adjustment for stock dividends, stock splits or similar capital reorganizations, as set forth in the warrants.

Subject to the terms and conditions of the applicable warrants, the Company has the right to call for cancellation of the 15 Month Preferred Stock Warrants if the volume weighted average price of our common stock on the Nasdaq Capital Market (or other primary trading market or exchange on which our common stock is then traded) equals or exceeds \$1.75 for either (i) 10 consecutive trading days or (ii) 15 out of 25 consecutive trading days. Subject to the terms and conditions of the 30 Month Common Stock Warrant, the Company has the right to call for cancellation the 30 Month Common Stock Warrant if the volume weighted average price for our common stock on the Nasdaq Capital Market (or other primary trading market or exchange on which our common stock is then traded) equals or exceeds \$2.80 for either (i) 10 consecutive trading days or (ii) 15 out of 25 consecutive trading days.

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 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.

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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. On September 25, 2008, our stockholders approved an amendment to the 2005 Equity Incentive Plan pursuant to which the number of shares reserved for issuance upon exercise of stock options or other equity awards made under the plan was increased from 1,000,000 shares to 1,500,000 shares. 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 June 30, 2009, options to acquire 1,300,500 shares were outstanding under the Plan. We also have 244,000 stock options outstanding under our 1999 Non-Qualified Stock Option Plan. As of June 30, 2009, there were 4,800 shares available for future grant under the 1999 Non-qualified Plan.

The following tables summarize information concerning stock options and warrants outstanding and exercisable:

| | Stock Options | | Warrants | | Total Shares | Exercisable |
|------------------------------------|---------------|---|-----------|---|-----------------|-------------|
| | Shares | Weighted Average price per share | Shares | Weighted Average price per share | | |
| Balance outstanding, 12/31/2007 | 1,120,500 | \$ 3.45 | - | | 1,120,500 | 691,166 |
| Granted | 231,500 | 2.94 | | | | |
| Exercised | (3,000) | 3.25 | | | | |
| Expired | (1,500) | 3.25 | | | | |
| Forfeited | (125,001) | 4.01 | | | | |
| Balance outstanding, 12/31/2008 | 1,222,499 | \$ 3.30 | - | | 1,222,499 | 932,334 |
| Granted | 460,000 | 0.78 | 3,139,600 | 1.63 | 3,599,600 | |

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| | | | | | | | |
|-----------------------------------|-----------|---------|-----------|---------|-----------|-----------|--|
| Exercised | - | | | | | | |
| Expired | - | | | | | | |
| Forfeited | (137,999) | 3.40 | | | | (137,999) | |
| Balance outstanding, 6/30/2009 | 1,544,500 | \$ 2.54 | 3,139,600 | \$ 1.63 | 4,684,100 | 4,216,280 | |

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| Range of Exercise Prices | Options Outstanding | | | Options Exercisable | | |
|--------------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Number of Options | Weighted Average Remaining Contractual Life | Exercise Price | Number of Options | Weighted Average Remaining Contractual Life | Exercise Price |
| \$0.77 - \$2.70 | 679,000 | 7.3 | \$ 1.24 | 342,346 | 5.9 | \$ 1.67 |
| 2.71 - 3.08 | 319,500 | 5.7 | 2.93 | 265,000 | 5.0 | 2.97 |
| 3.09 - 3.95 | 302,000 | 6.9 | 3.67 | 272,667 | 6.8 | 3.69 |
| 3.96 - 5.93 | 244,000 | 7.5 | 4.24 | 196,667 | 7.2 | 4.20 |
| \$0.77 - \$5.93 | 1,544,500 | 6.9 | \$ 2.54 | 1,076,680 | 6.2 | \$ 2.96 |

The aggregate intrinsic value of options outstanding and exercisable as of June 30, 2009 and December 31, 2008 has been negative due the stock price as of period end compared to the option weighted average exercise price.

6) Subsequent Events

We performed a review of events subsequent to the balance sheet date through August 10, 2009, the date the financial statements were issued.

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 ability to raise additional equity or debt financing on acceptable terms, if at all;
- our belief that we have sufficient liquidity to finance operations into the second quarter of 2010;
- our need to take additional cost reduction measures, cease operations or sell our operating assets, if we are unable to obtain sufficient additional financing in the future;
- the amount of cash necessary to operate our business;
- the anticipated uses of grant revenue and increased grant revenue in future periods;
- our plans and expectations with respect to our pressure cycling technology (PCT) operations;
- the expected tax benefits we may receive due to the American Recovery and Reinvestment Act of 2009;
- our ability to utilize net operating losses in the future;
- 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 1 of our Annual Report on Form 10-K for the year ended December 31, 2008, as well as those discussed elsewhere in this Report, including the following:

If we fail to obtain substantial additional capital, we may not be able to continue our business.

Based on our current projections, we believe our current cash resources, which include the funds we received from the private placement completed in February 2009, are sufficient to fund our normal operations into the second quarter of 2010.

We will need additional capital sooner than we currently expect if we experience unforeseen costs or expenses, unanticipated liabilities or delays in implementing our business plan, developing our products and achieving commercial sales. We also believe that we will need substantial capital to accelerate the growth and development of our pressure cycling technology products and services in the sample preparation area, as well as for applications in other areas of life sciences.

Our actual results and performance, including our ability to raise additional capital, may be adversely affected by current economic conditions.

Our actual results and performance could be adversely affected by the current economic conditions in the global economy, which pose a risk to the overall demand for our products from our customers who may elect to defer or cancel purchases of our products in response to tighter credit markets, negative financial news, and general uncertainty in the economy. In addition, our ability to obtain additional financing, on acceptable terms, if at all, may be adversely affected by the crisis in the credit markets and the uncertainty in the current economic climate.

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, 2008 included in our Annual Report on Form 10-K for the year ended December 31, 2008.

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 instrumentation that is capable of cycling pressure between ambient and ultra-high levels (up to 35,000 psi or greater) at controlled temperatures to rapidly and repeatedly control the interactions of bio-molecules. Our pressure-generating instrument is called the Barocycler®. Our PCT-related consumables product line includes PULSE (Pressure Used to Lyse Samples for Extraction) Tubes as well as application specific (“ProteoSolve”) kits. Our Barocycler instrument, together with our consumable products and reagents, make up the PCT Sample Preparation System (“PCT SPS”). In the second quarter of 2009, we introduced for sale our PCT MicroTube Adapter Kit for use with our Barocycler instruments. The PCT MicroTube Adapter Kit, in combination with the PCT SPS, can reliably and reproducibly control the enzymatic digestion of proteins while reducing the time of digestion from hours to minutes with the same or better quality as other, currently available techniques. The PCT MicroTube Adapter Kit comes complete with an ergonomically designed, space-saving work station containing PCT MicroTubes and PCT MicroCaps, as well as tools and hardware, to enable the user to process from one to forty eight samples simultaneously in the PCT SPS.

We have experienced negative cash flows from operations with respect to our pressure cycling technology business since our inception. As of June 30, 2009, we had cash of approximately \$1.5 million. During 2008, we took a number of cost reduction measures, including a comprehensive restructuring program to significantly reduce costs, centralize core operations, and refocus our business strategy in specific areas where our products have found significant market acceptance. The restructuring program included: a reduction in personnel of eight full-time employees (40% of the workforce), reduction in travel and meeting attendance for all personnel, continued reduction in investor relations activities, decreases in the base salary of most of our employees and all of our executive officers, a shutdown of our R&D facility in Rockville, MD, a consolidation of our R&D activities in Massachusetts, and delay of several research & development and marketing programs. These initiatives have significantly decreased our rate of cash utilization, from just under \$1 million per quarter in the second half of 2008 to an average of approximately \$600,000 per quarter during 2009. We also believe that these actions, taken together with the proceeds we received from our \$1.8 million equity financing completed in February 2009, will enable us to extend our cash resources into the second quarter of 2010.

We hold 13 United States and 6 foreign patents covering multiple applications of PCT in the life sciences field. Our pressure cycling technology employs a unique approach that we believe has the potential for broad use 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 (particularly enzymatic) reactions; and
- Immunodiagnostics (clinical laboratory testing).

Since we began operations as Pressure BioSciences in February 2005, we have installed 96 Barocycler instruments, including 22 instruments in the first half of 2009, 41 instruments in 2008, 20 instruments in 2007, 8 instruments in 2006, and 5 instruments in 2005. Our customers include researchers at academic laboratories and government agencies, as well as biotechnology, pharmaceutical and other life sciences companies in the United States, and six foreign distribution partners.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2009 and 2008

Revenue

We recognized revenue of \$270,381 for the three months ended June 30, 2009, as compared to \$120,184 for the same period in the prior year.

PCT Products, Services, Other. Revenue from the sale of PCT products and services was \$159,202 for the three months ended June 30, 2009 as compared to \$117,698 for the same period in the prior year. During the second quarter of 2009, we completed the installation of twelve Barocyler instruments, as compared to seven in the same period of 2008. Nine of the twelve instruments were domestic installations and three were international sales, compared to four domestic installations and three international sales for the same quarter in 2008. The increase in revenue observed in the second quarter of 2009 was due in part to this increase in the number of Barocyler units sold during the period and, to a lesser extent, sales of our PCT MicroTube Adapter Kit, which was released for sale in the second quarter of 2009.

We expect the number of units installed will continue to increase in future periods as we continue to commercialize our technology, although we may continue to experience some delays in customer purchases due to current economic conditions in the global economy. Furthermore, we may realize some difficulties in signing up new international distribution partners if we are unable to secure additional funding through equity or debt financings. We also expect that some portion of future installations will continue to be for the smaller, lower priced, Barocyler NEP2320 model and some will be placed under lease or short-term rental agreements. Therefore, we expect that the average revenue per installation will continue to fluctuate from period to period as we continue to drive our installed base and commercialize PCT. As we continue to expand the installed base of Barocyler instruments in the field we expect to realize increasing revenues from the sale of consumable products and extended service contracts. In the short-term, these recurring revenue streams may continue to fluctuate from period to period.

Grant Revenue. During the three months ended June 30, 2009 and 2008, we recorded \$111,179 and \$2,486 of grant revenue, respectively. Grant revenue recorded during the second quarter of 2009 was related to the \$850,000 SBIR Phase II grant that we were awarded in June 2008 and to an SBIR Phase I grant of approximately \$110,000 awarded in January 2009. We expect grant revenues to increase over the next several quarters as the amount of time and expense incurred in connection with these grants continues to increase. The level of grant revenue that we recognize in any given quarter is dependent upon the level of resources we devote to grant related work in the period.

Cost of PCT Products and Services

The cost of PCT products and services was \$90,820 for the three months ended June 30, 2009 compared to \$88,434 for the comparable period in 2008. This increase in cost of PCT products and services was due primarily to the increase in the number of units installed under sale, lease, or rental arrangements during the period and, to a lesser extent, costs associated with our June 2009 launch of our PCT MicroTube Adapter Kits. Costs of PCT products and services as a percentage of revenue decreased to 57% for the three months ended June 30, 2009, as compared to 75% for the three months ended June 30, 2008. The decrease in the cost of PCT products and services as a percentage of revenue was due primarily to the sale of two Barocyler units in the second quarter of 2009 that were collaboration models that had been previously expensed resulting in a lower cost of PCT products in the current quarter.

The relationship between the cost of PCT products and services and PCT revenue will depend greatly on the mix of instruments we sell, the quantity of such instruments, and the mix of consumable products that we sell in a given

period.

Research and Development

Research and development expenditures were \$315,046 in the second quarter of 2009 as compared to \$461,672 in the same period in 2008, a decline of 32%. This decline in R&D expenses was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008, including the termination of seven R&D employees. The headcount in R&D during the second quarter of 2009 was three, compared to ten during the same period in 2008. The decline in expenses was also due to a significant decrease in the number of R&D projects we funded during the second quarter of 2009.

Research and development expense recognized in the second quarters of 2009 and 2008 included \$46,885 and \$53,633 of non-cash, stock-based compensation expense, respectively. We expect that the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the second quarter of 2009.

Selling and Marketing

Selling and marketing expenses decreased to \$252,464 for the three months ended June 30, 2009 from \$521,606 for the comparable period in 2008, a decline of \$269,142 or 52%. This decline in selling and marketing expense was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008, including the termination of four sales directors and one marketing assistant. The headcount in selling and marketing during the second quarter of 2009 was five, compared to ten during the same period in 2008. A significant decrease in advertising, exhibit booth rental, and travel cost expense also contributed to the reduction in overall selling and marketing expense incurred during the second quarter of 2009.

During the second quarter of 2009 and 2008, selling and marketing expense included \$17,366 and \$42,200 of non-cash, stock-based compensation expense, respectively. We expect the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the second quarter of 2009.

General and Administrative

General and administrative costs totaled \$427,384 for the three months ended June 30, 2009 as compared to \$635,672 for the comparable period in 2008, a decrease of \$208,288 or 33%. This decrease in general and administrative expense was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008. The decline in expenses was also due to a significant decrease in investor relations costs, reduced Board of Directors fees, and compensation savings from the resignation of our Chief Financial Officer in November 2008. At this time, we are not actively pursuing a replacement for the Chief Financial Officer.

During the second quarters of 2009 and 2008, general and administrative expense included \$42,706 and \$155,956 of non-cash, stock-based compensation expense, respectively. The second quarter of 2008 includes a one-time charge of \$100,556 of non-cash stock-based compensation expense in connection with the grant of non-qualified, fully-vested stock options to purchase 10,000 shares of our common stock to each of our four independent directors in April 2008. We expect the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the second quarter of 2009.

Operating Loss

Our operating loss was \$815,333 for the three months ended June 30, 2009 as compared to \$1,587,200 for the comparable period in 2008, a decrease of \$771,867 or 49%. During the second half of 2008, we initiated a number of cost reduction measures, including a comprehensive restructuring program to significantly reduce costs, centralize core operations, and refocus our business strategy in specific areas where our products had found significant market acceptance. The restructuring program included: a reduction in personnel of twelve full-time employees, reduction in travel and meeting attendance for all personnel, continued reduction in investor relations activities, reduced Board of Directors fees, decreases in the base salary of most of our employees and all of our executive officers, a shutdown of our R&D facility in Rockville, MD, a consolidation of our R&D activities in Massachusetts, and delay or cancellation of several research and development and marketing programs.

These initiatives have significantly decreased our rate of cash utilization, from just under \$1 million per quarter in the second half of 2008 to an average of approximately \$600,000 per quarter during 2009.

Interest Income

Interest income totaled \$1,284 for the three months ended June 30, 2009 as compared to interest income of \$16,549 in the prior year period. The decrease is due to lower average cash balances and lower yields on these balances during

the second quarter of 2009, as compared to the second quarter of 2008.

Income Taxes

During the second quarters of 2009 and 2008, we did not record a benefit for income taxes.

Net Loss

During the second quarter of 2009, we recorded a net loss to common shareholders of \$847,929 or \$(0.39) per share, as compared to \$1,570,651 or \$(0.72) per share in the second quarter of 2008. Our net loss in the second quarter of 2009 was lower than the corresponding net loss of the second quarter of 2008 as the result of increased revenue and lower operating costs, as described above.

Six Months Ended June 30, 2009 and 2008

Revenue

We recognized revenue of \$577,143 for the six months ended June 30, 2009, as compared to \$252,560 for the same period in the prior year.

PCT Products, Services, Other. Revenue from the sale of PCT products and services was \$381,344 for the six months ended June 30, 2009 as compared to \$199,171 for the same period in the prior year. During the first half of 2009, we completed the installation of twenty-two Barocyler instruments, as compared to fourteen in the same period of 2008. Sixteen of the twenty-two instruments were domestic installations and six were international sales, compared to nine domestic installations and five international sales for the same period in 2008. The increase in revenue observed in the first half of 2009 was due primarily to an increase in the number of Barocyler units sold during the period.

Grant Revenue. During the six months ended June 30, 2009 and 2008, we recorded \$195,799 and \$53,389 of grant revenue, respectively. Grant revenue recorded during the first half of 2009 was related to the \$850,000 SBIR Phase II grant that we were awarded in June 2008 and to an SBIR Phase I grant of approximately \$110,000 awarded in January 2009. We expect grant revenues to increase over the next several quarters as the amount of time and expense incurred in connection with these grants continues to increase. The level of grant revenue that we recognize in any given quarter is dependent upon the level of resources we devote to grant related work in the period.

Cost of PCT Products and Services

The cost of PCT products and services was \$231,063 for the six months ended June 30, 2009 compared to \$136,883 for the comparable period in 2008. This increase in cost of PCT products and services was due primarily to the increase in the number of units installed under sale, lease, or rental arrangements during the period and, to a lesser extent, costs associated with our June 2009 launch of our PCT MicroTube Adapter Kits. Costs of PCT products and services as a percentage of revenue decreased to 61% for the six months ended June 30, 2009, as compared to 69% for the six months ended June 30, 2008. The decrease in the cost of PCT products and services as a percentage of revenue was due primarily to the sale of two Barocyler units in the second quarter of 2009 that were collaboration models that had been previously expensed resulting in a lower cost of PCT products in the six months ended June 30, 2009.

The relationship between the cost of PCT products and services and PCT revenue will depend greatly on the mix of instruments we sell, the quantity of such instruments, and the mix of consumable products that we sell in a given period.

Research and Development

Research and development expenditures were \$622,270 in the first half of 2009 as compared to \$952,603 in the same period in 2008, a decline of 35%. This decline in R&D expenses was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008, including the termination of seven R&D employees. The headcount in R&D during the first half of 2009 was three, compared to ten during the same period in 2008. The decline in expenses was also due to a significant decrease in the number of R&D projects we funded during the first half of 2009.

Research and development expense recognized in the first half of 2009 and 2008 included \$99,857 and \$96,870 of non-cash, stock-based compensation expense, respectively. We expect that the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the first half of 2009.

Selling and Marketing

Selling and marketing expenses decreased to \$530,880 for the six months ended June 30, 2009 from \$984,767 for the comparable period in 2008, a decline of \$453,887 or 46%. This decline in selling and marketing expense was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008, including the termination of four sales directors and one marketing assistant. The headcount in selling and marketing during the first half of 2009 was five, compared to ten during the same period in 2008. A significant decrease in advertising, exhibit booth rental, and travel cost expense also contributed to the reduction in overall selling and marketing expense incurred during the first half of 2009. These reductions in expenses were offset by bad debt expense of \$55,600 recorded in the first quarter of 2009.

During the first half of 2009 and 2008, selling and marketing expense included \$38,574 and \$75,232 of non-cash, stock-based compensation expense, respectively. We expect the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the first half of 2009.

General and Administrative

General and administrative costs totaled \$858,174 for the six months ended June 30, 2009 as compared to \$1,136,920 for the comparable period in 2008, a decrease of \$278,746 or 25%. This decrease in general and administrative expense was primarily due to the significant restructuring and cost-reduction programs that we initiated in the third and fourth quarters of 2008. The decline in expenses was also due to a significant decrease in investor relations costs, reduced Board of Directors fees, and compensation savings from the resignation of our Chief Financial Officer in November 2008.

During the first half of 2009 and 2008, general and administrative expense included \$114,429 and \$197,892 of non-cash, stock-based compensation expense, respectively. The first half of 2009 includes a grant of stock options to purchase 450,000 shares of our common stock to each employee and our four independent directors. The same period in 2008 includes a one-time charge of \$100,556 of non-cash stock-based compensation expense in connection with the grant of non-qualified, fully-vested stock options to purchase 10,000 shares of our common stock to each of our four independent directors in April 2008. We expect the level of stock-based compensation expense in the near future will be consistent with the amount recorded during the first half of 2009.

Operating Loss

Our operating loss was \$1,665,244 for the six months ended June 30, 2009 as compared to \$2,958,613 for the comparable period in 2008, a decrease of \$1,293,369 or 44%. During the second half of 2008, we initiated a number of cost reduction measures, including a comprehensive restructuring program to significantly reduce costs, centralize core operations, and refocus our business strategy in specific areas where our products had found significant market acceptance. The restructuring program included: a reduction in personnel of twelve full-time employees, reduction in travel and meeting attendance for all personnel, continued reduction in investor relations activities, reduced Board of Directors fees, decreases in the base salary of most of our employees and all of our executive officers, a shutdown of our R&D facility in Rockville, MD, a consolidation of our R&D activities in Massachusetts, and delay or cancellation of several research and development and marketing programs.

These initiatives have significantly decreased our rate of cash utilization, from just under \$1 million per quarter in the second half of 2008 to an average of approximately \$600,000 per quarter during 2009.

Interest Income

Interest income totaled \$3,687 for the six months ended June 30, 2009 as compared to interest income of \$46,857 in the prior year period. The decrease is due to lower average cash balances and lower yields on these balances during the first half of 2009, as compared to the same period in 2008.

Income Taxes

In the six months ended June 30, 2009, we recorded a benefit for income taxes of \$623,262 due to provisions in the American Recovery and Reinvestment Act of 2009 relating to net operating loss carry-backs. The cash is expected to be received during the second half of 2009. There was no provision for an income tax benefit during the same period in 2008. Aside from the impact of the passage of this law, we do not expect any additional income tax benefits

relating to carry-backs to prior periods. If we are successful in commercializing PCT and in generating operating income, then we may be able to utilize certain net operating losses we may have at the time against such future operating profits.

Net Loss

During the first half of 2009, we recorded a net loss of \$1,038,295 or \$(0.49) per share, as compared to \$2,911,756 or \$(1.33) per share in the first half of 2008. Our net loss in the first half of 2009 was lower than the corresponding net loss in the same period in 2008 as the result of increased revenue, the income tax benefit, and lower operating costs, as described above.

LIQUIDITY AND FINANCIAL CONDITION

As of June 30, 2009, our working capital position was \$2,407,351, which excludes \$33,880 of accrued preferred stock dividend. As of December 31, 2008, our working capital position was \$1,602,556.

During the second half of 2008, we took a number of cost reduction measures, including a comprehensive restructuring program to significantly reduce costs, centralize core operations, and refocus our business strategy in specific areas where our products had found significant market acceptance. The restructuring program included: a reduction in personnel of twelve full-time employees, reduction in travel and meeting attendance for all personnel, continued reduction in investor relations activities, decreases in the base salary of most of our employees and all of our executive officers, a shutdown of our R&D facility in Rockville, MD, a consolidation of our R&D activities in Massachusetts, and the delay or cancellation of several research and development and marketing programs. We believe that these initiatives have significantly decreased our rate of cash utilization, from just under \$1 million per quarter during the second half of 2008 to an expected average of approximately \$600,000 per quarter during 2009.

On December 19, 2008, we received \$200,000 from one of our distributors in the escrow account for the private placement. Prior to February 12, 2009, the distributor requested that the \$200,000 be used as payment for anticipated future purchases of our PCT instrument and consumable products, and not for an investment in the private placement. This amount was recorded as deferred revenue in the first half of 2009. As of June 30, 2009, \$148,304 remained in deferred revenue for future product purchases. Four Barocycler units have been shipped against this advance payment.

We believe that because of the cost restructuring measures we have undertaken, together with the \$1,805,270 we received in connection with our February 2009 private placement of units (consisting of Series A Convertible Preferred Stock and warrants to purchase Series A Convertible Preferred Stock and Common Stock), we have sufficient cash resources to fund normal operations into the second quarter of 2010. We believe we will need substantial additional capital to fund our operations beyond the second quarter of 2010. If we are able to obtain additional capital or otherwise increase our revenues, we may increase spending in specific research and development applications and engineering projects and may hire additional sales personnel or invest in targeted marketing programs. In the event that we are unable to obtain financing on acceptable terms, or at all, we may be required to limit or cease our operations, pursue a plan to sell our operating assets, or otherwise modify our business strategy, which could materially harm our future business prospects.

Net cash used in operations for the six months ended June 30, 2009 was \$882,184 as compared to \$2,473,573 for the six months ended June 30, 2008. The decrease in cash used in operations in 2009 as compared to 2008 is principally the result of the estimated federal income tax receivable, increased revenues and lower operating expenses in 2009.

Net cash used in investing activities for the six months ended June 30, 2009 was \$64,932 as compared to cash used of \$124,892 for the same period in the prior year. During the first half of 2009, we received and installed seven Barocycler instruments under collaboration or lease agreements while selling two demonstration units. Cash used in the six months of 2008 was for the purchase of furniture and fixtures associated with our move to new corporate offices, and for Barocycler instruments that we purchased and installed under collaboration or lease agreements.

Net cash provided by financing activities for the six months ended June 30, 2009 was \$1,567,924. On February 12, 2009, we completed a private placement, pursuant to which we sold an aggregate of 156,980 units for a purchase price of \$11.50 per unit (the "Purchase Price"), resulting in gross proceeds to us of \$1,805,270 (the "Private Placement"). Each unit consists of (i) one share of a newly created series of preferred stock, designated "Series A Convertible Preferred Stock," par value \$0.01 per share (the "Series A Convertible Preferred Stock") convertible into 10 shares of our common stock, (ii) a warrant to purchase, at the purchaser's election to be made within 7 days of the closing, either 10 shares of our common stock, at an exercise price equal to \$1.25 per share, with a term expiring 15 months after the date of closing ("15 Month Common Stock Warrant"), or one share of Series A Convertible Preferred Stock at an exercise price equal to \$12.50 per share, with a term expiring 15 months after the date of closing ("15 Month Preferred Stock Warrant") (all of the purchasers elected the 15 Month Preferred Stock Warrants); and (iii) a warrant to purchase 10 shares of common stock at an exercise price equal to \$2.00 per share, with a term expiring 30 months after the date of

closing (the “30 Month Common Stock Warrants”). The expenses related to the offering totaled approximately \$233,000.

Net cash provided by financing activities for the six months ended June 30, 2008 was due to an exercise of employee stock options to purchase 3,000 shares of our common stock.

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 leased approximately 5,500 square feet of office space, with an option for an additional 12 months. We exercised the renewal option to extend the lease term until July 14, 2010. We pay approximately \$6,500 per month for the use of these facilities.

In connection with the reduction of staff levels and consolidation of operations in Rockville, MD and Woburn, MA, the Company moved its research and development activities within Massachusetts.

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. ("BMA") 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 BMA a 5% royalty on sales of products or services that incorporate or utilize the original pressure cycling technology that BioSeq, Inc. acquired from BMA. We are also required to pay BMA 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 June 30, 2009 and 2008, we incurred \$6,176 and \$5,451, respectively in royalty expense associated with our obligation to BMA. During the six months ended June 30, 2009 and 2008, we incurred \$15,002 and \$8,451, respectively in royalty expense associated with our obligation to BMA.

In connection with our acquisition of BioSeq, Inc., we licensed certain limited rights to the original pressure cycling technology back to BMA. This license is non-exclusive and limits the use of the original pressure cycling technology by BMA solely for molecular applications in scientific research and development and in scientific plant research and development. BMA 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 BMA under the license. BMA must pay us these royalties until the expiration of the patents held by BioSeq, Inc. in 1998, which we anticipate will be in 2016. We have not received any royalty payments from BMA under this license.

Battelle Memorial Institute

In December 2008, we entered into an exclusive patent license agreement with the Battelle Memorial Institute ("Battelle"). The licensed technology is described in the patent application filed by Battelle on July 31, 2008 (US serial number 12/183,219). This application includes subject matter related to a method and a system for improving the analysis of protein samples, including through an automated system utilizing pressure and a pre-selected agent to obtain a digested sample in a significantly shorter period of time than current methods, while maintaining the integrity of the sample throughout the preparatory process. Pursuant to the terms of the agreement, we paid Battelle a non-refundable initial fee. In addition to royalty payments on net sales on "licensed products", we are obligated to make minimum royalty payments for each year that we retain the rights outlined in the patent license agreement. and we are required to have our first commercial sale of the licensed products within one year following the issuance of the patent covered by the licensed technology.

Severance and Change of Control Agreements

Each of our executive officers 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 \$1.0 million.

Each of our executive officers, other than Mr. Richard T. Schumacher, our President and Chief Executive Officer, 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 \$1.3 million. The severance payment is meant to induce the executive to become an employee of the Company and to remain in the employ of the Company, in general, and particularly in the occurrence of a change in control.

RECENT ACCOUNTING STANDARDS

On January 1, 2008, the Company adopted 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, we adopted SFAS 157 as of January 1, 2008 for financial assets and liabilities only. There was no significant effect on our financial statements. We do not believe that the adoption of SFAS 157 to non-financial assets and liabilities will significantly effect our 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;
- Non-controlling 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.

In April 2008, the FASB issued FASB Staff Position (“FSP”) No. FAS 142-3, Determination of the Useful Life of Intangible Assets (“FSP 142-3”). FSP 142-3 removes the requirement under Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, to consider whether an intangible asset can be renewed without substantial cost or material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. FSP 142-3 also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity’s intent and/or ability to renew or extend the arrangement. We have adopted FSP 142-3. The adoption of this statement does not have any impact to our financial statements.

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.

We have adopted SFAS 160 and the statement does not have a material affect on our consolidated results of operations and financial condition.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities (“SFAS 161”), – an amendment of FASB Statement No. 133”, which requires additional disclosures about the objectives of derivative instruments and hedging activities, the method of accounting for such instruments under SFAS No. 133 and its related interpretations, and a tabular disclosure of the effects of such instruments and related hedged items on our financial position, financial performance, and cash flows. We adopted SFAS No. 161 and our adoption of SFAS No. 161 did not have a material impact on our financial statements.

On June 30, 2009, the Company adopted Statement of Financial Accounting Standards No. 165, “Subsequent Events (“SFAS 165”), which requires disclosure of the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The adoption of SFAS 165 did not have a material impact on our financial statements.

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 filings are 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 was necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of June 30, 2009, we carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and 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 Principal Executive Officer and 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 Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

There have been no changes in our internal controls 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 controls over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

| Exhibits | | Reference |
|----------|---|----------------|
| 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 |

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: August 10, 2009

By: /s/ Richard T. Schumacher
Richard T. Schumacher
President & Chief Executive Officer
(Principal Executive Officer, Principal Financial Officer and
Principal Accounting Officer)
