

PRESSURE BIOSCIENCES INC  
Form 10QSB  
May 15, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 2007 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 Small Business Issuer as Specified in its Charter)

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

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

**321 Manley St.**  
**West Bridgewater, Massachusetts**  
(Address of Principal Executive Offices)

**02379-1040**  
(Zip Code)

**(508) 580-1818**

(Issuer's telephone number, including area code)

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

Yes  No

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

Yes  No

The number of shares outstanding of the Issuer's common stock as of May 14, 2007 was 2,065,425.

Transitional Small Business Disclosure Format (check one):

Yes  No



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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****PRESSURE BIOSCIENCES, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS**

<u>ASSETS</u>	<b>March 31, 2007 (unaudited)</b>	<b>December 31, 2006</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,836,656	\$ 5,335,282
Accounts receivable	131,106	37,495
Inventories	69,860	19,658
Investments in marketable securities	1,634,084	2,060,875
Prepaid income taxes	49,487	38,687
Income tax receivable	750,532	710,013
Prepaid expenses, deposits, and other current assets	472,959	246,776
<b>Total current assets</b>	<b>7,944,684</b>	<b>8,448,786</b>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>214,054</b>	<b>207,696</b>
<b>OTHER ASSETS</b>		
Intangible assets, net	364,764	376,922
Assets transferred under contractual arrangements	1,420,996	1,420,996
<b>Total other assets</b>	<b>1,785,760</b>	<b>1,797,918</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,944,498</b>	<b>\$ 10,454,400</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 296,366	\$ 174,289
Accrued employee compensation	170,128	242,497
Other accrued expenses	160,900	150,978
Income taxes payable	45,962	45,962
Deferred tax liability	546,610	669,520
Deferred revenue	6,288	4,099
<b>Total current liabilities</b>	<b>1,226,254</b>	<b>1,287,345</b>
<b>LONG TERM LIABILITIES</b>		
Deferred revenue	10,558	9,126
Liabilities transferred under contractual arrangements	1,420,996	1,042,493
<b>Total long term liabilities</b>	<b>1,431,554</b>	<b>1,051,619</b>
<b>TOTAL LIABILITIES</b>	<b>2,657,808</b>	<b>2,338,964</b>
<b>COMMITMENTS (Note 7)</b>		

**STOCKHOLDERS' EQUITY**

Common stock, \$.01 par value; 20,000,000 shares authorized; 2,065,425 shares issued and outstanding	20,654	20,654
Additional paid-in capital	5,459,398	5,347,641
Accumulated other comprehensive income	1,082,459	1,384,876
Retained earnings	724,179	1,362,265
<b>Total stockholders' equity</b>	<b>7,286,690</b>	<b>8,115,436</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 9,944,498</b>	<b>\$ 10,454,400</b>

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>REVENUE:</b>		
PCT Products, services, other	\$ 37,943	\$ 53,414
Grant revenue	93,678	-
<b>Total revenue</b>	<b>131,621</b>	<b>53,414</b>
<b>COSTS AND EXPENSES:</b>		
Cost of PCT products and services	31,654	51,546
Research and development	461,532	258,819
Selling and marketing	256,530	67,379
General and administrative	481,082	689,626
<b>Total operating costs and expenses</b>	<b>1,230,798</b>	<b>1,067,370</b>
<b>Operating loss</b>	<b>(1,099,177)</b>	<b>(1,013,956)</b>
<b>OTHER INCOME (EXPENSE):</b>		
Realized gain on securities available for sale	727,473	517,938
Other operating, net	(378,503)	-
Interest income	71,602	108,506
<b>Total other income</b>	<b>420,572</b>	<b>626,444</b>
<b>Loss before income taxes</b>	<b>(678,605)</b>	<b>(387,512)</b>
<b>Income tax benefit</b>	<b>40,519</b>	<b>77,478</b>
<b>Net loss</b>	<b>(638,086)</b>	<b>(310,034)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.31)</b>	<b>\$ (0.13)</b>
<b>Weighted average number of shares used to calculate net loss per share - basic and diluted</b>	<b>2,065,425</b>	<b>2,424,189</b>

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

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

Other Comprehensive Loss	<b>For the Three Months Ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Net loss	\$ (638,086)	\$ (310,034)
Holding gain	302,146	438,354
Reclassification of unrealized gain to realized gain on securities during the period	(727,473)	(517,938)
Unrealized loss on marketable securities	(425,327)	(79,584)
Income tax benefit related to items other comprehensive loss	122,910	16,998
Total other comprehensive loss, net of taxes	(302,417)	(62,586)
Comprehensive loss	\$ (940,503)	\$ (372,620)

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

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

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (638,086)	\$ (310,034)
<b>Adjustments to reconcile loss to net cash used in operating activities:</b>		
Depreciation and amortization	35,478	33,843
Non-cash, stock-based, compensation expense	111,757	203,456
Loss recognized from Source Scientific, LLC	378,503	-
Realized gain on sale of marketable securities	(727,473)	(517,938)
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	(93,611)	12,621
Inventories	(50,202)	6,749
Income tax receivable	(40,519)	244,645
Prepaid income taxes	(10,800)	(70,000)
Prepaid expenses, deposits and other current assets	(226,183)	(5,818)
Accounts payable	122,077	64,144
Accrued employee compensation	(72,369)	157,211
Other accrued expenses	9,922	62,807
Deferred revenue	3,621	-
Income taxes payable	-	20,491
Deferred tax liability	-	(219,949)
Net cash used in operating activities	(1,197,885)	(317,772)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments for additions to property and equipment	(29,679)	(2,155)
Proceeds from sale of marketable securities	728,938	518,463
Net cash provided by investing activities	699,259	516,308
<b>CASH FLOW FROM DISCONTINUED OPERATIONS:</b>		
Cash flows from investing activities	-	1,116,819
Net cash provided by discontinued operations	-	1,116,819
<b>CHANGE IN CASH AND CASH EQUIVALENTS:</b>		
	(498,626)	1,315,355
Cash and cash equivalents, beginning of period	5,335,282	6,416,772
Cash and cash equivalents, end of period	\$ 4,836,656	\$ 7,732,127
<b>SUPPLEMENTAL INFORMATION:</b>		
Income Taxes Paid	\$ 10,800	\$ 71,504

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



**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2007**

**1) Organization and Business Activities**

Pressure BioSciences, Inc. ("PBI") is an early-stage 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. PBI currently holds 13 US and 5 foreign patents covering multiple applications of PCT in the life sciences field, including in such areas as genomic and proteomic sample preparation, pathogen inactivation, the control of enzymes, immunodiagnostics, and protein purification.

**2) Interim Financial Reporting**

The accompanying unaudited consolidated financial statements of Pressure BioSciences, Inc. have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007. For further information, refer to the audited consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-KSB, (the "Form 10-KSB") for the fiscal year ended December 31, 2006.

**3) Summary of Significant Accounting Policies**

*Principles of Consolidation*

The consolidated financial statements include the accounts of Pressure BioSciences, Inc., and its wholly-owned subsidiaries, PBI Biotech Research Laboratories, Inc., PBI Source Scientific, Inc., and PBI BioSeq, Inc.

*Use of Estimates*

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

*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; the seller's price to the buyer is fixed or determinable; and collectibility is reasonably assured.

Our current instrument, the Barocycler NEP3229 requires a basic level of instrumentation expertise to set-up for initial operation. In order to support a favorable first experience for our customers, we send a technical representative to the customer site to "commission" every NEP3229 that we sell. The "commissioning" process includes uncrating and setting up the instrument and delivering an introductory user training course. Product revenue related to current Barocycler instrumentation is generally recognized upon the "commissioning" of our instrumentation at the customer location. Product revenue related to disposable PULSE Tubes is recorded upon shipment through a common carrier.

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**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2007**

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. 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.

Revenue from extended service contracts is recorded over the life of the contracts.

*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.

*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 earnings per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding plus additional common shares that would have been outstanding if dilutive potential common shares had been issued. For purposes of this calculation, stock options are considered common stock equivalents in periods in which they have a dilutive effect. Stock options that are anti-dilutive are excluded from this calculation.

Potentially dilutive securities having a net effect of 139,972 shares were excluded from the calculation for the three months ended March 31, 2007. Potentially dilutive securities having a net effect of 177,879 shares were excluded from the calculation for the three months ended March 31, 2006.

*Accounting for Stock-Based Compensation*

On January 1, 2006, we adopted SFAS No. 123 (revised 2004), “*Share-Based Payment*”, or SFAS 123R, and its related implementation guidance as promulgated by both the Financial Accounting Standards Board (the “FASB”), and the Securities and Exchange Commission (“SEC”) Staff Accounting Bulletin (“SAB”) No. 107, or SAB 107, associated with the accounting for stock-based compensation arrangements of our employees and directors. These pronouncements require that equity-based compensation cost be measured at the grant date (based upon an estimate of the fair value of the compensation granted) and recorded to expense over the requisite service period, which generally is the vesting period.

We estimate the fair value of equity-based compensation utilizing the Black-Scholes option pricing model. This model requires the input of several factors such as the expected option term, expected volatility of our stock price over the expected term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates, and is subject to various assumptions. We believe

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this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to SFAS 123R requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. These amounts, and the amounts applicable to future quarters, are also subject to future quarterly adjustments based upon a variety of factors. The following table summarizes the assumptions we have utilized for grants of stock options from which we incurred compensation expense during the three months ended March 31, 2007 and March 31, 2006:

Assumptions	Outside Board Members	CEO and other Officers & Employees
Expected Life	5.0	6.0
	74.6% -	88.2% -
Expected Volatility	77.9%	92.5%
Risk-Free Interest Rate	4.94%	4.94%
Expected Dividend Yield	0.0%	0.0%

**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2007**

We developed the above referenced assumptions based on the following rationale. We utilized the simplified method provided by SAB No. 107 to develop our estimate of expected term of the stock options granted. Under this method, stock options granted to outside board members are estimated to have an expected term of 5 years and stock options granted to our CEO and all other officers and employees are estimated to have an expected term of 6 years. All stock options granted have a 10 year contractual life. The stock options granted to outside directors vest immediately and the stock options granted to the CEO and all other officers and employees vest annually, on an equal basis over three years. SAB 107 provides a simplified approach to developing the estimate of expected term based on the average of the midpoint of the vesting period and the contractual life. The expected volatility is assumed to approximate the historical volatility that was observed during the corresponding expected term for each sub-group of option recipients. The risk-free interest rate is a weighted average approximation based on the U.S. Treasury yields in effect at the time of the grants. We used a dividend yield of zero for the calculation because we have never paid cash dividends and we have no intention to begin paying dividends in the foreseeable future. While we believe these estimates are reasonable, the compensation expense recorded would increase if the assumed expected term was increased or a higher expected volatility was used.

We recognized stock-based compensation expense of \$111,757 for the three months ended March 31, 2007 and \$203,456 for the three months ended March 31, 2006. The following table summarizes the effect of this stock-based compensation expense within our Consolidated Statement of Operations for both periods:

	For the Three Months Ended March 31,	
	2007	2006
Cost of PCT products and services	\$ 2,620	\$ 2,094
Research and development	49,494	22,475
Selling and marketing	15,995	7,888
General and administrative	43,648	170,999
Total stock-based compensation expense	\$ 111,757	\$ 203,456

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. We estimate that our forfeiture rate will approximate 5% for the foreseeable future. As our workforce expands and our business matures we will continue to monitor this rate and consider adjusting our estimate if we feel it is appropriate to do so. The stock option expense recognized for the three months ended March 31, 2007 reflects our estimated forfeiture rate of 5%.

As of March 31, 2007, the total estimated fair value of unvested stock options to be amortized over their remaining vesting period was \$952,715.

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). This interpretation clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.



**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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In accordance with FIN 48, we have analyzed filing positions in all of the federal, state, and other jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The periods subject to examination for all federal, state and other jurisdictions are the 2003 through 2005 tax years. We do not believe there are any tax positions that would increase within the next twelve-month period. Therefore, no reserves for uncertain income tax positions have been recorded and we did not record a cumulative effect adjustment related to the adoption of FIN 48.

*Fair Value Measurements*

In September 2006, FASB issued SFAS 157, "*Fair Value Measurements*". SFAS No. 157 establishes a formal framework for measuring fair value under GAAP and expands on disclosure of fair value measurements. Although SFAS No. 157 applies to and amends the provisions of existing FASB and AICPA pronouncements, it does not, of itself, require any new fair value measurements, nor does it establish valuation standards. SFAS No. 157 applies to all other accounting pronouncements requiring or permitting fair value measurements, except for; SFAS No. 123R, share based payment and related pronouncements, the practicability exceptions to fair value determinations allowed by various other authoritative pronouncements, and AICPA Statements of Position 97-2 and 98-9 that deal with software revenue recognition. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

*Effects of Prior Year Misstatements*

In September 2006, the SEC staff released Staff Accounting Bulletin No. 108, "*Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements*," or SAB 108. SAB 108 provides for a "one-time" special transition provision for correcting certain prior year misstatements that were uncorrected as of the beginning of the fiscal year of adoption. SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the dual approach had always been used or (ii) recording the cumulative effect of initially applying the dual approach as adjustments recorded to the opening balance of retained earnings. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on our consolidated financial statements.

**4) Investment in Marketable Securities**

As of March 31, 2007, we held 352,934 shares of common stock of Panacos Pharmaceuticals Inc. ("Panacos"), a publicly traded company listed on the NASDAQ Global Market. We account for this investment in accordance with SFAS 115 "*Accounting for Certain Investments in Debt and Equity Securities*" as securities available for sale. On March 31, 2007, our balance sheet reflected the fair value of our investment in Panacos to be approximately \$1.6 million, based on the closing price of Panacos shares of \$4.63 per share on that day. The carrying value of our investment in Panacos common stock held will change from period to period based on the closing price of the common stock of Panacos, and the number of shares we hold, as of the balance sheet date. This change in market value will be recorded by us on a quarterly basis in Comprehensive Income or Loss.

**5) Assets and Liabilities Transferred Under Contractual Arrangements**

In June 2004, we transferred certain assets and liabilities of our PBI Source Scientific, Inc. subsidiary to a newly formed limited liability company known as Source Scientific, LLC. At the time of the transfer, we owned 100% of the ownership interests of Source Scientific, LLC. We subsequently sold 70% of our ownership interests of Source

Scientific, LLC to Mr. Richard Henson and Mr. Bruce A. Sargeant pursuant to a purchase agreement (the "Source Scientific Agreement"). As a result of the sale of 70% of our ownership interests, Mr. Henson and Mr. Sargeant each own 35% and we own the remaining 30% of Source Scientific, LLC. Under the Source Scientific Agreement, we received notes receivable in the aggregate amount of \$900,000 (the "Notes") payable at the end of three years bearing 8% interest. The Source Scientific Agreement offers Mr. Henson and Mr. Sargeant the opportunity to purchase our 30% ownership interest in Source Scientific, LLC until May 31, 2007, at an escalating premium (10-50%) over our initial ownership value, provided that they have first paid off the Notes in their entirety.



**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2007**

Despite our intent to exit the laboratory instrumentation business, we may be viewed as having a continuing involvement in the business of Source Scientific, LLC. Because of this and other factors, even though the transaction is treated as a divestiture for legal purposes, we have not recognized the transaction as a divestiture for accounting purposes in accordance with SEC SAB Topic 5E, “*Accounting for Divestiture of a Subsidiary or Other Business Operation*”. In accordance with SAB Topic 5E, we have recorded the assets and liabilities associated with the Source Scientific, LLC operation on our consolidated balance sheet as of December 31, 2006 under the captions “*Assets transferred under contractual arrangements*” and “*Liabilities transferred under contractual arrangements*”.

During the three months ended March 31, 2007, Source Scientific, LLC reported a net loss of approximately \$483,000. In accordance with SAB Topic 5E we have recorded a charge in our Consolidated Statement of Operations equal to the net book value on our Consolidated Balance Sheet of \$378,503. SAB Topic 5E requires that we recognize the losses of Source Scientific, LLC to the extent such losses exceed profits in the same fiscal year. In accordance with SAB Topic 5E, we have reduced our net carrying value of our investment in Source Scientific, LLC to zero as of March 31, 2007.

During the three months ended March 31, 2007, total purchases from Source Scientific, LLC by us amounted to \$100,299. During the same period in 2006, total purchases from Source Scientific, LLC by us amounted to \$4,359. These purchases were for services in connection with the design and manufacture of our Barocycler instrumentation. All of our purchases from Source Scientific, LLC are negotiated as arms length transactions and paid through our normal accounts payable process. As of March 31, 2007, we had accounts payable to Source Scientific, LLC of \$96,595 and deposits receivable of \$344,000. As of December 31, 2006, we had accounts payable to Source Scientific, LLC of \$38,605 and deposits receivable of \$168,000.

**6) Inventories**

Inventories represented are comprised of Barocycler instruments, PULSE Tubes, and purchased sub-components to be used in the manufacture of Barocycler instruments. As of March 31, 2007 and December 31, 2006, inventories were comprised as follows:

	March 31, 2007	December 31, 2006
Raw materials	\$ 41,618	\$ 3,158
Finished goods	28,242	16,500
Total	\$ 69,860	\$ 19,658

**7) Commitments**

Royalty Commitments

In 1998, we acquired all the remaining outstanding common stock of BioSeq, Inc., a development-stage company involved with PCT. In accordance with the provisions of a technology transfer agreement assumed in the transaction, we are obligated to pay a 5% royalty on net sales until March 2016. For purposes of the royalty calculation, net sales include the revenues related to units sold or leased as well as PULSE™ Tube revenue. The royalty obligation that we accrued for the three months ended March 31, 2007 was approximately \$2,100. The royalty obligation that we accrued and paid for the same period in 2006 was \$2,500.



**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
AS OF MARCH 31, 2007**

Operating Leases

On April 9, 2007, we extended our sub-lease agreement with Proteome Systems, Inc., pursuant to which we have agreed to lease approximately 650 sq. feet of laboratory space plus 100 sq. feet of office space from Proteome Systems in Woburn, Massachusetts. The lease period was extended through August 31, 2007 and the monthly rent was increased to \$3,200 for the use of these facilities.

On June 1, 2006, we entered into a lease agreement with Scheer Partners and the Maryland Economic Development Corporation, pursuant to which we have agreed to lease laboratory and office space in Rockville, Maryland. The lease period will expire on May 31, 2007, and will continue on a month-to-month basis thereafter. We will pay \$2,600 per month for the use of these facilities.

Purchase Commitments

In March 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 20 Barocycler NEP3229 units and nine demonstration (NEP2320) units to be used by our sales force in 2007. This purchase order is in addition to the 20 units on order under the previously placed purchase order with Source Scientific. In connection with each of these purchase orders, we submitted a deposit to Source Scientific, LLC for \$200,000. In accordance with the terms of these agreements, we expect that the units will be completed during 2007. We will be billed for the complete cost of each unit as it is completed, net of the deposit we placed for each instrument. Finished goods will stay at Source Scientific, LLC for shipment directly to our customers. As of March 31, 2007, Source Scientific completed and billed us for seven units under the first purchase order.

**8) Stockholders' Equity**

Stock Options

On September 16, 2005, our stockholders approved our 2005 Equity Incentive Plan (the "Plan") pursuant to which an aggregate of 1,000,000 shares of common stock were reserved for the issuance upon exercise of stock options or other equity awards made under the Plan. Under the Plan, our board of directors has authority to grant stock options or other equity awards to employees, officers, directors, consultants, and advisors. As of March 31, 2007, there were 790,000 stock options granted and outstanding under the 2005 Equity Incentive Plan and 210,000 shares available for future grants.

We also have 244,000 stock options outstanding under our 1999 Non-Qualified Plan and 9,500 stock options outstanding under our 1994 Incentive Stock Option Plan. As of March 31, 2007, there were 4,800 shares available for future grant under the 1999 Non-Qualified Plan. The 1994 Incentive Stock Option Plan has expired; therefore, there are no shares available for future grants under this plan.

The following tables summarize information concerning options outstanding and exercisable as of March 31, 2007:

Range of Exercise Prices	Number of	Options Outstanding		Number of	Options Exercisable	
		Contractual Life	Weighted Average Exercise Price		Contractual Life	Weighted Average Exercise Price

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	Options				Options		
\$2.50 - \$2.70	159,000	5.4	\$ 2.64	159,000	5.4	\$ 2.64	
2.71 - 3.08	343,000	7.4	2.96	209,000	6.9	2.98	
3.09 - 3.97	414,500	9.1	3.70	65,630	8.4	3.70	
3.98 - 4.25	127,000	8.6	4.05	127,000	8.6	8.63	
\$2.50 - \$4.25	1,043,500	7.9	3.34	560,630	7.0	3.21	

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**PRESSURE BIOSCIENCES, INC., AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**AS OF MARCH 31, 2007**

	Shares	Stock Options		Weighted Average price per share
		Weighted Average price per share	Exercisable	
Balance outstanding, 12/31/2006	945,500	\$ 3.32	524,000	\$ 3.17
Granted	98,000	3.51		
Exercised	-			
Expired	-			
Forfeited	-			
Balance outstanding, 3/31/2007	1,043,500	\$ 3.34	560,630	\$ 3.21

The aggregate intrinsic value of options outstanding as of March 31, 2007 was \$876,540. The aggregate intrinsic value of options exercisable as of March 31, 2007 was \$543,811.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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

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

- our plans and expectations with respect to our pressure cycling technology (PCT) operations;*
- potential growth in the market for our PCT products;*
- market acceptance and the potential for commercial success of our PCT products;*
- our belief that PCT provides a superior solution for sample extraction;*
- the potential applications for PCT;*
- our plans to expand our domestic sales force and our foreign distribution network;*
- the potential results of our experiments funded with SBIR Phase I grants;*
- our belief that we will complete the divestiture of Source Scientific, LLC during the second quarter of 2007*
- our belief that we have sufficient liquidity to finance operations based upon current projections;*
- our intent to sell our shares of Panacos Pharmaceuticals and the timing thereof;*
- the amount of cash necessary to operate our business;*
- our ability to raise additional capital when and if needed;*
- 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 the 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 results include those discussed in the risk factors set forth in Item 6 of our Annual Report on Form 10-KSB for the year ended December 31, 2006, as well as those discussed elsewhere in this report. We qualify all of our forward-looking statements by these cautionary statements.*

*You should read this section in combination with the section entitled Management’s Discussion and Analysis of Financial Condition or Plan of Operation for the year ended December 31, 2006, included in our Annual Report on Form 10-KSB, for the year ended December 31, 2006.*

## **OVERVIEW**

We are an early-stage 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) at controlled temperatures to rapidly and repeatedly control the interactions of bio-molecules.

Our instrument, the Barocycler, and our internally developed disposable PULSE (Pressure Used to Lyse Samples for Extraction) Tubes together make up the PCT Sample Preparation System (“PCT SPS”).

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

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

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

On March 27, 2007, we announced our 2007 PCT Product Line commercialization plan. This plan includes the expansion of our domestic sales force from one full-time, sales director in 2006 to five by June 30, 2007. In addition to a planned increase in our domestic sales force, our commercialization plan also includes expanding our foreign distribution network in an effort to commercialize PCT globally in 2008. In support of this commercialization plan we also increased the number of Barocycler NEP3229’s that we had on order with Source Scientific, LLC from 20 to 40 units; we expect all 40 units will be available for sale in 2007. Additionally, we announced that we had developed a light-weight, more portable model for use on a demonstration basis. We subsequently announced that this demonstration unit will also be launched as a product (Barocycler NEP2320) that would be available for sale by September 2007.

If we are successful commercializing our technology in the sample preparation market, we believe that our financial results will be positively effected by a combination of the sale and lease of our Barocycler instruments and a recurring revenue stream from the sale of our single-use PULSE Tubes.

We also derive revenues from Small Business Innovation Research (“SBIR”) grants awarded to us by the National Institutes of Health. In September 2006, and in March 2007, we received SBIR Phase I grants in the aggregate amount of \$300,000. These grants are funding experiments to demonstrate the feasibility of using pressure cycling technology in various contexts. If our work in SBIR Phase 1 grants is successful, then we will have the opportunity to apply for larger Phase II grants. Additionally, if our work with the SBIR grants is successful, the publication of application notes in specific areas of research should further support our commercialization efforts.

Another source of revenue is derived from the sale of extended service contracts on our instrumentation. These extended service contracts allow a customer who purchases a Barocycler NEP3229, or an NEP2320, to receive on-site scheduled preventative maintenance, on-site repair and replacement of all worn or defective component parts, and telephone support, all at no incremental cost, for the life of the service contract.





## **RESULTS OF OPERATIONS**

### **THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

#### *Revenue*

We recognized revenue of \$131,621 for the three months ended March 31, 2007, as compared to \$53,414 for the three months ended March 2006.

Revenue for the sale of PCT products and services was \$37,943 for the three months ended March 31, 2007 as compared to \$53,414 for the same period in the prior year. During both periods we recognized revenue from the sale of one Barocyler NEP3229 instrument and PULSE Tubes. During the first quarter of 2006 we also sold various sub-component parts for our Barocyler instrumentation. During the first quarter of 2007 we did not sell any sub-component parts however we did record rental revenue from two instruments under lease agreement.

During the first quarter of 2007 we recorded \$93,678 of grant revenue. All of this revenue was billed pursuant to our SBIR Phase 1 grant for the extraction and subsequent study of organelles. During the first quarter of 2006 we did not record any grant revenue.

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

The cost of PCT products and services was \$31,654 for the three months ended March 31, 2007 compared to \$51,546 for the comparable period in 2006. The decrease in cost of PCT products and services is due primarily to the decrease in product revenue. Also contributing to our decreased cost of PCT products and services is fact that we now account for the majority of our technical services departmental costs as part of selling and marketing to reflect the shift in departmental activities.

Included in the cost of PCT products and services for the three months ended March 31, 2007 is \$2,620 non-cash, stock-based compensation expense that we recognized in accordance with SFAS 123R. The same period in the prior year included \$2,094 of compensation expense associated with SFAS 123R.

We expect that our future gross profit will continue to be favorably impacted by grant revenue. Additionally, we anticipate an expansion of our product gross margins from increasing sales of Barocyler units and PULSE Tubes if we are successful commercializing PCT.

#### *Research and Development*

Research and development expenditures increased to \$461,532 in the first quarter of 2007 as compared to \$258,819 in the same period in 2006. This increase in research and development expense is due primarily to our growth in research and development staff from five full-time employees to eight full-time employees. Also contributing to the increased costs is the increased number of scientific experiments our staff is managing within our own laboratories. This increase in headcount and project spending is consistent with our strategy to continue to evaluate and potentially offer new applications of PCT within the life sciences sample preparation field.

Research and development expense recognized in the first quarter of 2007 and 2006 included \$49,494 and \$22,474, respectively, of non-cash, stock-based compensation expense associated with SFAS 123R. We expect non-cash, stock-based compensation expense charged to research and development to increase in future periods as we continue to hire additional scientific personnel.

Consistent with our strategy, we plan to continue to add research and development personnel to our staff. We believe that expanding the number and the scope of research and development projects being performed by our internal staff, and by our collaborators, will have a direct effect on the number of application notes developed and published by our own researchers, and by our collaboration partners. We are also investing research and development resources on the continued improvement of the operating performance of our current bench top Barocycler, including the re-engineering of several key component parts, as well as the design and development of additional Barocycler instruments. One recent example of our engineering investment is our introduction of the Barocycler NEP2320 as a demonstration unit for our sales force and as a product that will be available for sale by September 2007.

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### *Selling and Marketing*

Selling and marketing expenses increased to \$256,530 for the three months ended March 31, 2007 from \$67,379 for the comparable period in 2006. This increase was the result of our growth from one selling and marketing employee in the first quarter of 2006 to four in the first quarter of 2007. In addition to increasing our staff we have also increased our spending on several marketing programs to support our commercialization plan.

During the first quarter of 2007 and 2006, selling and marketing expense included \$15,995 and \$7,888, respectively, of non-cash, stock-based compensation expense in accordance with the provisions of SFAS 123R. We expect SFAS 123R expense to increase in future quarters as we continue to hire our domestic sales force and award stock options to these employees.

We expect to continue our increased focus on selling and marketing activities for the remainder of 2007 to drive our commercialization plan. Consistent with our plans, we intend to hire three additional domestic sale directors in the second quarter. We also plan to continue our expansion of our advertising and marketing programs to further raise awareness of PCT within the scientific community.

### *General and Administrative*

General and administrative costs totaled \$481,082 for the three months ended March 31, 2007, as compared to \$689,626 for the comparable period in 2006. Our general and administrative costs for 2006 included \$170,999 of SFAS 123R expense as compared to \$43,648 in the first quarter of 2007. This decrease in SFAS 123R expense was due to the decision by the Board of Directors not to award themselves their annual stock options during 2007. The stock options awarded to the Board of Directors during the first quarter of 2006 resulted in the recognition of \$159,438 of SFAS 123R expense. The results for the first quarter of 2006 also included the expense recorded for the payment of a bonus of \$150,000, to Richard T. Schumacher, our President and CEO, in recognition of his 2005 performance. Beginning in the first quarter of 2007, we accrue a target bonus award of approximately \$30,000 for our entire senior executive management team, on a quarterly basis. This amount will be adjusted in the fourth quarter based on our compensation committee's decision on the amount of bonuses to award, if any. Aside from these items our general and administrative costs increased due to the increase in general and administrative headcount from one full-time employee in the first quarter of 2006 to four in the first quarter of 2007.

We expect that general and administrative spending for the rest of 2007 will be slightly higher on a quarterly basis than in the current quarter. These increases will be driven primarily by a continued increase in spending on investor relations programs and spending required to conform to section 404 of the Sarbanes-Oxley Act.

### *Operating Loss*

Our operating loss was \$1,099,177 for the three months ended March 31, 2007 as compared to an operating loss of \$1,013,956 for the comparable period in 2006. The increase in operating loss was primarily the result of increases in activities within our research and development and selling and marketing functions, partially offset by our increase in revenue and a decrease in general and administrative expense and non-cash, stock-based compensation expense associated with SFAS 123R.

The operating loss from continuing operations for the three months ended March 31, 2007 included \$111,757 of non-cash, stock-based compensation charges recognized in accordance with SFAS 123R. The same period for 2006 included \$203,456 of SFAS 123R expense.

We plan to continue to increase our level of activity in all areas of our business, particularly sales and marketing and research and development, for the remainder of 2007. Consequently we expect our operating loss for 2007 to exceed

that of 2006.

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### *Gain on Sale of Securities*

In the three months ended March 31, 2007, we sold 161,000 shares of Panacos Pharmaceuticals and realized a gain on securities sold of \$727,473. During the same period in 2006 we sold 57,900 shares of Panacos Pharmaceuticals and realized gain on securities sold of \$517,938. We expect to sell additional shares of Panacos Pharmaceuticals during 2007 to increase our cash position for continued investment into our pressure cycling technology.

### *Other Operating (Charges), net*

During the first quarter of 2007 Source Scientific, LLC reported a loss of approximately \$483,000. In accordance with the provisions of SEC SAB Topic No. 5E we recorded a charge to "Other operating, net" of \$378,503, to reduce our net carrying value in Source Scientific, LLC to zero as of March 31, 2007. During the same period in 2006, Source Scientific, LLC recognized a profit of approximately \$100,000, which, pursuant to the provisions of SAB Topic 5E, we did not record.

We expect to complete our divestiture of the Source Scientific, LLC business during the second quarter. If we are successful completing this divestiture we will write-off the "Assets transferred under contractual arrangements" and "Liabilities transferred under contractual arrangements", and recognize any proceeds from the sale as a gain.

### *Interest Income*

Interest income totaled \$71,602 for the three months ended March 31, 2007 as compared to interest income of \$108,506 in the prior year period. The decrease in interest income is due to a lower average cash balance.

### *Income Taxes*

In the quarter ended March 31, 2007, we recorded a tax benefit from continuing operations of \$40,519. During the same period in 2006, we recorded a benefit of \$77,478. The unfavorable change in benefit rate in 2007 as compared to 2006 was consistent with our expectations and was due to a significant reduction in Federal Income Tax carry-back, against which we can apply current operating losses. We expect to record a total benefit of approximately \$230,000 during 2007, due to our Federal Income Tax carry-back position. Our benefit rate was also unfavorably impacted by the difference in treatment of the loss from Source Scientific, LLC for tax purposes as compared to accounting purposes.

### *Net Loss*

For the quarter ended March 31, 2007, we realized a net loss of \$638,086 compared to a net loss of \$310,034 for the same period in 2006. The increase in loss was due to the many factors described above including, increases in research and development and selling and marketing expenses to support our business plan, a charge of \$378,503 related to the net loss recorded by Source Scientific, LLC and an unfavorable change in our income tax benefit rate, all partially offset by an increase in gain from the sale of Panacos Pharmaceuticals shares, an increase in revenue and a decrease in general and administrative costs.

## **LIQUIDITY AND FINANCIAL CONDITION**

As of March 31, 2007, our working capital position was \$5,630,956, the primary components of which were cash and cash equivalents, accounts receivable, income taxes receivable, and prepaid expenses and deposits, partially offset by accounts payable, accrued employee compensation, other accrued expenses, and accrued income taxes. Working capital excludes our investment in Panacos Pharmaceuticals and the related deferred tax liability. As of December 31, 2006, our working capital balance was \$5,770,086, the primary components of which were cash and cash equivalents,

income taxes receivable and prepaid expenses and deposits. This decrease in working capital of \$139,130 was the result of our operating losses and increases in our current assets to support our growth, partially offset by proceeds from the sale of 161,000 shares of Panacos Pharmaceuticals of \$728,938. We expect to continue to fund our operating losses from our working capital balance and by liquidating our investment in Panacos Pharmaceuticals.

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Net cash used in continuing operations for the three months ended March 31, 2007 was \$1,197,885 as compared to net cash used in continuing operations of \$317,772 for the three months ended March 31, 2006. The cash used in operations for the three months ended March 31, 2007 included our net loss, an increase in accounts receivable, inventory, income taxes receivable, prepaid income taxes, and prepaid expenses and deposits, all partially offset by an increase in accounts payable. We expect to continue to use cash in continuing operations for the foreseeable future.

Net cash provided by investing activities for the three months ended March 31, 2007 was \$699,259 as compared to cash provided of \$516,308 for the same period in the prior year. The cash generated in the first quarter of 2007 was entirely from the sale of 161,000 shares of Panacos common stock, partially offset by purchases of fixed assets of approximately \$29,000. The cash generated in the same period in 2006 was entirely from the sale of 57,900 shares of Panacos common stock, also partially offset by purchases of fixed assets. We will continue to monitor the market price of Panacos common stock with the intent of liquidating our position at what we consider to be favorable terms. We expect that our investment in fixed assets will increase in future quarters as we continue to increase our staff and operating facilities.

For the three months ended March 31, 2007 there were no cash flows from discontinued operations. For the same period in 2006 we received approximately \$1.1 million as the final escrow payment from the sale of the Boston Biomedica, Inc., core business units in September 2004.

## **COMMITMENTS**

### **Royalty Commitments**

In 1998, we acquired all the remaining outstanding common stock of BioSeq, Inc., a development-stage company involved with PCT. In accordance with the provisions of a technology transfer agreement assumed in the transaction, we are obligated to pay a 5% royalty on net sales until March 2016. For purposes of the royalty calculation, net sales include the revenues related to units sold or leased as well as PULSE™ Tube revenue. The royalty obligation that we accrued for the three months ended March 31, 2007 was approximately \$2,100. The royalty obligation that we accrued and paid for the same period in 2006 was \$2,500.

### **Operating Leases**

On April 9, 2007, we extended our sub-lease agreement with Proteome Systems, Inc., pursuant to which we have agreed to lease approximately 650 sq. feet of laboratory space plus 100 sq. feet of office space from Proteome Systems in Woburn, Massachusetts. The lease period was extended through August 31, 2007 and the monthly rent was increased to \$3,200 for the use of these facilities.

On June 1, 2006, we entered into a lease agreement with Scheer Partners and the Maryland Economic Development Corporation, pursuant to which we have agreed to lease laboratory and office space in Rockville, Maryland. The lease period will expire on May 31, 2007, and will continue on a month-to-month basis thereafter. We will pay \$2,600 per month for the use of these facilities.

### **Purchase Commitments**

In March 2007, we executed a purchase order with Source Scientific, LLC under which we agreed to purchase 20 additional Barocycler NEP3229 units and nine demonstration (NEP2320) units to be used by our sales force in 2007. This purchase order is in addition to the 20 units on order under the previously placed purchase order with Source Scientific. In connection with each of these purchase orders, we submitted a deposit to Source Scientific, LLC for \$200,000. In accordance with the terms of these agreements, we expect that the units will be completed during 2007. We will be billed for the complete cost of each unit as it is completed, net of the deposit we placed for each

instrument. Finished goods will stay at Source Scientific, LLC for shipment directly to our customers. As of March 31, 2007, Source Scientific completed and billed us for seven units under the first purchase order.

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## **RECENT ACCOUNTING STANDARDS**

### **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). This interpretation clarifies the accounting for uncertainty in income taxes by prescribing a minimum recognition threshold for a tax position taken or expected to be taken in a tax return that is required to be met before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

In accordance with FIN 48, we have analyzed filing positions in all of the federal, state and other jurisdictions where we are required to file income tax returns, as well as all open tax years in these jurisdictions. The periods subject to examination for all federal, state and other jurisdictions are the 2003 through 2005 tax years. We do not believe there are any tax positions that would increase within the next twelve-month period. Therefore, no reserves for uncertain income tax positions have been recorded and we did not record a cumulative effect adjustment related to the adoption of FIN 48.

### **Fair Value Measurements**

In September 2006, FASB issued SFAS 157, "Fair Value Measurements". SFAS No. 157 establishes a formal framework for measuring fair value under GAAP and expands on disclosure of fair value measurements. Although SFAS No. 157 applies to and amends the provisions of existing FASB and AICPA pronouncements, it does not, of itself, require any new fair value measurements, nor does it establish valuation standards. SFAS No. 157 applies to all other accounting pronouncements requiring or permitting fair value measurements, except for; SFAS No. 123R, share based payment and related pronouncements, the practicability exceptions to fair value determinations allowed by various other authoritative pronouncements, and AICPA Statements of Position 97-2 and 98-9 that deal with software revenue recognition. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years.

### **Effects of Prior Year Misstatements**

In September 2006, the SEC staff released Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements," or SAB 108. SAB 108 provides for a "one-time" special transition provision for correcting certain prior year misstatements that were uncorrected as of the beginning of the fiscal year of adoption. SAB 108 permits existing public companies to initially apply its provisions either by (i) restating prior financial statements as if the dual approach had always been used or (ii) recording the cumulative effect of initially applying the dual approach as adjustments recorded to the opening balance of retained earnings. SAB 108 is effective for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material impact on our consolidated financial statements.

## **ITEM 3. AND ITEM 3A(T). 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 reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired

control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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As of March 31, 2007, we carried out an evaluation, under the supervision and with the participation of our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Based upon that evaluation, our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures are effective in enabling us to record, process, summarize and report information required to be included in our periodic SEC filings within the required time period and to ensure that information required to be disclosed in such reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) to allow timely decisions regarding required disclosure.

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

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**PART II. OTHER INFORMATION**

**ITEM 6. EXHIBITS**

<b>Exhibits</b>		<b>Reference</b>
10.1	Extension of Sub-Lease Agreement with Proteome Systems, Inc	Filed herewith
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**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PRESSURE BIOSCIENCE, INC.**

Date: May 15, 2007

By: /s/ Richard T. Schumacher

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Richard T. Schumacher  
President, Chief Executive Officer & Treasurer  
(Principal Executive Officer)

By: /s/ Edward H. Myles

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Edward H. Myles  
Senior Vice President of Finance  
& Chief Financial Officer  
(Principal Financial and Accounting Officer)