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**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 September 30, 2016

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 000-21615

**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):

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 November 11, 2016 was 30,868,862.

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

<u>ASSETS</u>	<u>September 30, 2016</u>	<u>December 31, 2015</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 41,939	\$ 116,783
Accounts receivable	589,682	113,256
Inventories, net of \$50,000 reserve at September 30, 2016 and December 31, 2015	1,008,138	1,038,371
Prepaid income taxes	7,405	7,381
Prepaid expenses and other current assets	179,954	213,926
Total current assets	1,827,118	1,489,717
Investment in available-for-sale equity securities	59,550	294,522
Property and equipment, net	7,933	20,149
<b>TOTAL ASSETS</b>	<b>\$ 1,894,601</b>	<b>\$ 1,804,388</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 532,214	\$ 941,389
Accrued employee compensation	185,909	176,009
Accrued professional fees and other	690,230	821,088
Deferred revenue	270,102	140,878
Convertible debt, net of unamortized debt discounts of \$1,891,206 at September 30, 2016 and \$0 at December 31, 2015	2,664,334	100,000
Other debt, net of unamortized discounts of \$5,183 and \$3,041, respectively	242,963	151,628
Warrant derivative liability	4,325,864	3,295,976
Conversion option derivative liability	4,627,452	3,940,791
Total current liabilities	13,539,068	9,567,759
<b>LONG TERM LIABILITIES</b>		
Related party convertible debt, net of unamortized debt discounts of \$199,436 and \$0, respectively	91,568	—
Convertible debt, net of unamortized debt discounts of \$2,076,658 and \$5,223,658, respectively	986,843	177,342
Deferred revenue	36,935	36,935
<b>TOTAL LIABILITIES</b>	<b>14,654,414</b>	<b>9,782,036</b>
<b>COMMITMENTS AND CONTINGENCIES (Note 5)</b>		
<b>STOCKHOLDERS' DEFICIT</b>		
Series D Convertible Preferred Stock, \$.01 par value; 850 shares authorized; 300 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively (Liquidation value of \$300,000)	3	3
Series G Convertible Preferred Stock, \$.01 par value; 240,000 shares authorized; 86,570 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	866	866
Series H Convertible Preferred Stock, \$.01 par value; 10,000 shares authorized; 10,000 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	100	100
Series H2 Convertible Preferred Stock, \$.01 par value; 21 shares authorized; 21 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	—	—
Series J Convertible Preferred Stock, \$.01 par value; 6,250 shares authorized; 3,521 and 3,546 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	35	36
Series K Convertible Preferred Stock, \$.01 par value; 15,000 shares authorized; 6,816 and 11,416 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	68	114
Common stock, \$.01 par value; 100,000,000 shares authorized; 30,599,839 and 23,004,898 shares issued and outstanding on September 30, 2016 and December 31, 2015, respectively	305,998	230,050
Warrants to acquire common stock	5,683,897	5,416,681
Additional paid-in capital	27,080,191	26,036,733
Accumulated other comprehensive income	(339,997)	(105,025)
Accumulated deficit	(45,490,974)	(39,557,206)
Total stockholders' deficit	(12,759,813)	(7,977,648)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 1,894,601</b>	<b>\$ 1,804,388</b>

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

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

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenue:</b>				
Products, services, other	\$ 500,949	\$ 481,452	\$ 1,429,487	\$ 1,174,391
Grant revenue	34,385	98,882	127,289	259,181
Total revenue	<u>535,334</u>	<u>580,334</u>	<u>1,556,776</u>	<u>1,433,572</u>
<b>Costs and expenses:</b>				
Cost of products and services	262,894	209,804	727,698	575,780
Research and development	268,317	355,574	925,015	878,899
Selling and marketing	224,380	207,888	609,501	574,289
General and administrative	231,550	497,796	1,853,010	2,034,040
Total operating costs and expenses	<u>987,141</u>	<u>1,271,062</u>	<u>4,115,224</u>	<u>4,063,008</u>
Operating loss	(451,807)	(690,728)	(2,558,448)	(2,629,436)
<b>Other (expense) income:</b>				
Interest expense, net	(1,116,328)	(1,584,830)	(2,961,708)	(2,831,106)
Other expense	(200)	—	(1,112)	(36,910)
Gain on extinguishment of embedded derivative liabilities	—	1,180,251	—	2,028,324
Change in fair value of derivative liabilities	623,128	437,379	(412,500)	38,968
Total other (expense) income	<u>(493,400)</u>	<u>32,800</u>	<u>(3,375,320)</u>	<u>(800,724)</u>
Net loss	(945,207)	(657,928)	(5,933,768)	(3,430,160)
Accrued dividends on convertible preferred stock	—	1,711	—	(21,768)
Net loss applicable to common shareholders	<u>\$ (945,207)</u>	<u>(656,217)</u>	<u>\$ (5,933,768)</u>	<u>\$ (3,451,928)</u>
Net loss per share attributable to common stockholders – basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.23)	\$ (0.17)
Weighted average common stock shares outstanding used in the basic and diluted net loss per share calculation	29,425,362	20,737,827	26,139,740	19,771,323

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

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

	<u>For the Three Months Ended</u> <u>September 30,</u>		<u>For the Nine Months Ended</u> <u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Comprehensive Loss</b>				
Net loss	\$ (945,207)	\$ (657,928)	\$ (5,933,768)	\$ (3,430,160)
<b>Other comprehensive loss</b>				
Unrealized loss on marketable securities	(22,233)	—	(234,972)	—
Comprehensive loss	<u>\$ (967,440)</u>	<u>\$ (657,928)</u>	<u>\$ (6,168,740)</u>	<u>\$ (3,430,160)</u>

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

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

	<b>For the Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (5,933,768)	\$ (3,430,160)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	15,489	18,279
Accretion of interest and amortization of debt discount	2,848,058	2,367,381
Penalty interest added to debt principal	41,200	-
Gain on settlement of debt	(5,044)	-
Stock-based compensation expense	282,811	185,370
Amortization of third party fees paid in common stock and warrants	332,700	173,538
Gain on extinguishment of embedded derivative liabilities	-	(2,028,324)
Change in fair value of derivative liabilities	412,500	(38,968)
Changes in operating assets and liabilities:		
Accounts receivable	(476,426)	(90,800)
Inventories	30,233	41,709
Prepaid expenses and other assets	33,948	123,808
Accounts payable	(409,175)	(200,969)
Accrued employee compensation	9,900	48,606
Deferred revenue and other accrued expenses	80,058	150,581
Net cash used in operating activities	(2,737,516)	(2,679,949)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property plant and equipment	(3,273)	(6,662)
Net cash used in investing activities	(3,273)	(6,662)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net proceeds from related party convertible debt	96,667	6,300
Payments on related party debt	-	(12,300)
Net proceeds from convertible debt	2,102,382	3,991,437
Payments on convertible debt	-	(2,107,065)
Net proceeds from non-convertible debt	865,152	1,300,000
Payments on non-convertible debt	(781,221)	(537,641)
Net proceeds from the issuance of common stock	382,965	-
Payment of prepayment penalty	-	(351,193)
Net cash provided by financing activities	2,665,945	2,289,538
NET DECREASE IN CASH	(74,844)	(397,073)
CASH AT BEGINNING OF YEAR	116,783	473,948
CASH AT END OF PERIOD	\$ 41,939	\$ 76,875
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid in cash	\$ 1,154	\$ 239,389
Income taxes paid in cash	-	-
<b>NON CASH TRANSACTIONS:</b>		
Convertible debt exchanged for common stock	117,837	338,000
Cashless exercise of warrants	11,100	-
Discount due to beneficial conversion feature	20,721	-
Discount due to warrants issued with debt	39,755	-
Common stock issued with debt	104,731	-
Common stock issued to settle non-convertible debt	41,200	-
Conversion of preferred stock into common stock	63,904	-
Extension fees added to principal	-	84,000
Issuance of common stock for investment in available-for-sale equity securities	-	399,547
Accrued dividends on preferred stock	-	21,768
Unrealized loss from available-for-sale equity securities	234,972	76,687
Debt discount from derivative liability	1,304,049	5,085,536
Prepayment penalty and accrued interest enrolled into debt principal	-	48,950

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

**PRESSURE BIOSCIENCES, INC. AND SUBSIDIARY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2016**  
**(UNAUDITED)**

**1) Business Overview, Liquidity and Management Plans**

Pressure BioSciences, Inc. (“we”, “our”, “the Company”) is focused on solving the challenging problems inherent in biological sample preparation, a crucial laboratory step performed by scientists worldwide working in biological life sciences research. Sample preparation is a term that refers to a wide range of activities that precede most forms of scientific analysis. Sample preparation is often complex, time-consuming and, in our belief, one of the most error-prone steps of scientific research. It is a widely-used laboratory undertaking – the requirements of which drive what we believe is a large and growing worldwide market. We have developed and patented a novel, enabling technology platform that can control the sample preparation process. It is based on harnessing the unique properties of high hydrostatic pressure. This process, called pressure cycling technology, or PCT, uses alternating cycles of hydrostatic pressure between ambient and ultra-high levels i.e., 35,000 pounds per square inch (“*psi*”) or greater to safely, conveniently and reproducibly control the actions of molecules in biological samples, such as cells and tissues from human, animal, plant and microbial sources.

Our pressure cycling technology uses internally developed instrumentation that is capable of cycling pressure between ambient and ultra-high levels at controlled temperatures and specific time intervals, to rapidly and repeatedly control the interactions of bio-molecules, such as deoxyribonucleic acid (“*DNA*”), ribonucleic acid (“*RNA*”), proteins, lipids and small molecules. Our laboratory instrument, the Barocycler<sup>®</sup>, and our internally developed consumables product line, which include our Pressure Used to Lyse Samples for Extraction (“*PULSE*”) tubes, and other processing tubes, and application specific kits such as consumable products and reagents, together make up our PCT Sample Preparation System (“*PCT SPS*”).

In 2015, together with an investment bank, we formed a subsidiary called Pressure BioSciences Europe (“PBI Europe”) in Poland. We have 49% ownership interest with the investment bank retaining 51%. As of now, PBI Europe does not have any operating activities but is expected to commence operations in 2017. Therefore, we don’t have control of the subsidiary and did not consolidate in our financial statements.

**2) Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. However, we have experienced negative cash flows from operations with respect to our pressure cycling technology business since our inception. As of September 30, 2016, we do not have adequate working capital resources to satisfy our current liabilities and as a result, there is substantial doubt regarding our ability to continue as a going concern. We have been successful in raising cash through debt and equity offerings in the past and as described in Note 6, we completed an over-subscribed \$5.0 million debt financing on March 31, 2016 with a total amount raised of \$6.3 million. We have financing efforts in place to continue to raise cash through debt and equity offerings.

Management has developed a plan to continue operations. This plan includes obtaining equity or debt financing. During the nine months ended September 30, 2016 we received \$3,447,166 net proceeds, in additional convertible, non-convertible debt and shares of common stock. Although we have successfully completed financings and reduced expenses in the past, we cannot assure you that our plans to address these matters in the future will be successful.

We need substantial additional capital to fund normal operations in future periods. In the event that we are unable to obtain financing on acceptable terms, or at all, we will likely be required to 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. These financial statements do not include any adjustments that might result from this uncertainty.



### 3) Interim Financial Reporting

The accompanying unaudited condensed consolidated balance sheet as of December 31, 2015, which was derived from audited financial statements, and the unaudited interim condensed 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 material adjustments (consisting of only normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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, 2015 as filed with the Securities and Exchange Commission on April 5, 2016.

### 4) Summary of Significant Accounting Policies

#### *Principles of Consolidation*

The condensed consolidated financial statements include the accounts of Pressure BioSciences, Inc., and its wholly-owned subsidiary PBI BioSeq, Inc. All intercompany accounts and transactions have been eliminated in consolidation.

#### *Reclassifications*

Certain amounts in the 2015 consolidated financial statements have been reclassified to conform to the 2016 presentation.

#### *Use of Estimates*

To prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, 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 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 and warrant derivative liability. 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.

#### *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.

The following table illustrates the level of concentration as a percentage of total revenues during the three months and nine months ended September 30, 2016 and 2015.

	For the Three Months Ended September 30,	
	2016	2015
Top Five Customers	60%	43%
Federal Agencies	9%	2%

  

	For the Nine Months Ended September 30,	
	2016	2015
Top Five Customers	31%	34%
Federal Agencies	3%	14%

The following table illustrates the level of concentration as a percentage of net accounts receivable balance as of September 30, 2016 and December 31, 2015:

	September 30, 2016	December 31, 2015
Top Five Customers	55%	93%
Federal Agencies	9%	1%

#### *Product Supply*

A Massachusetts-based contract manufacturer started building the new NEP2320 Extreme Barocycler instrument in May 2016. We

plan to have this manufacturer build all instruments in the future.

### Investment in Available-For-Sale Equity Securities

As of September 30, 2016, we held 601,500 shares of common stock of Everest Investments Holdings S.A. (“Everest”), a Polish publicly traded company listed on the Warsaw Stock Exchange. We account for this investment in accordance with ASC 320 “Investments — Debt and Equity Securities” as securities available for sale. On September 30, 2016, our condensed consolidated balance sheet reflected the fair value of our investment in Everest to be \$59,550, based on the closing price of Everest shares of \$0.10 per share on that day. The carrying value of our investment in Everest common stock held will change from period to period based on the closing price of the common stock of Everest as of the balance sheet date. This change in market value will be recorded by us on a quarterly basis as an unrealized gain or loss in Comprehensive Income or Loss.

### Inventories

Inventories are valued at the lower of cost (average cost) or market (sales price). The cost of Barocyclers consists of the cost charged by the contract manufacturer. The cost of manufactured goods includes material, freight-in, direct labor, and applicable overhead. The composition of inventory is as follows:

	<u>September 30, 2016</u>	<u>December 31, 2015</u>
Raw materials	\$ 491,254	\$ 310,367
Finished goods	566,884	778,004
Inventory Reserve	(50,000)	(50,000)
Total	<u>\$ 1,008,138</u>	<u>\$ 1,038,371</u>

### Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs” (“ASU 2015-03”). ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. ASU 2015-03 does not change the recognition and measurement requirements for debt issuance costs. The Company early-adopted ASU 2015-03 as of the end of its Fiscal 2015, and applied its provisions retrospectively.

### 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, 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 to our net loss.

The following table illustrates our computation of loss per share for the three months and nine months ended September 30, 2016 and 2015:

	<u>For the Three Months Ended</u>		<u>For the Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Numerator:</b>				
Net loss	\$ (945,207)	\$ (657,928)	\$ (5,933,768)	\$ (3,430,160)
Preferred dividends accrued	—	1,711	—	(21,768)
Net loss applicable to common shareholders	\$ (945,207)	\$ (656,217)	\$ (5,933,768)	\$ (3,451,928)
<b>Denominator for basic and diluted loss per share:</b>				
Weighted average common stock shares outstanding	29,425,362	20,737,827	26,139,740	19,771,323
Income (loss) per common share – basic and diluted	\$ (0.03)	\$ (0.03)	\$ (0.23)	\$ (0.17)

The following table presents securities that could potentially dilute basic loss per share in the future. For all periods presented, the potentially dilutive securities were not included in the computation of diluted loss per share because these securities would have been anti-dilutive to our net loss. The Series D Convertible Preferred Stock, Series G Convertible Preferred Stock, Series H Convertible Preferred Stock, Series J Convertible Preferred Stock and Series K Convertible Preferred Stock are presented below as if they were converted into common shares according to the conversion terms.

	As of September 30,	
	2016	2015
Stock options	5,269,250	3,201,250
Convertible debt	26,971,732	26,015,029
Common stock warrants	24,824,695	26,125,127
Convertible preferred stock:		
Series D Convertible Preferred Stock	750,000	750,000
Series G Convertible Preferred Stock	865,700	865,700
Series H Convertible Preferred Stock	1,000,000	1,000,000
Series H2 Convertible Preferred Stock	2,100,000	2,100,000
Series J Convertible Preferred Stock	3,521,000	3,546,000
Series K Convertible Preferred Stock	6,816,000	11,399,000
	<u>72,118,377</u>	<u>75,002,106</u>

#### *Accounting for Stock-Based Compensation Expense*

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 stock-based 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.

#### Determining Fair Value of Stock Option Grants

**Valuation and Amortization Method** - The fair value of each option award is estimated on the date of grant using the Black-Scholes pricing model based on certain assumptions. The estimated fair value of employee stock options is amortized to expense using the straight-line method over the vesting period.

**Expected Term** - The Company uses the simplified calculation of expected life, as the Company does not currently have sufficient historical exercise data on which to base an estimate of expected term. Using this method, the expected term is determined using the average of the vesting period and the contractual life of the stock options granted.

**Expected Volatility** - Expected volatility is based on the Company's historical stock volatility data over the expected term of the award.

**Risk-Free Interest Rate** - The Company bases the risk-free interest rate used in the Black-Scholes valuation method on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining term.

**Forfeitures** The Company records stock-based compensation expense only for those awards that are expected to vest. The Company estimated a forfeiture rate of 5% for awards granted based on historical experience and future expectations of options vesting. The Company used this historical rate as our assumption in calculating future stock-based compensation expense.

The Company recognized stock-based compensation expense of \$90,500 and \$74,864 for the three months ended September 30, 2016 and 2015, 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 Condensed Consolidated Statements of Operations:

	For the Three Months Ended September 30,	
	2016	2015
Research and development	\$ 14,735	\$ 18,307
Selling and marketing	9,911	13,310
General and administrative	65,854	43,247
Total stock-based compensation expense	<u>\$ 90,500</u>	<u>\$ 74,864</u>

The Company recognized stock-based compensation expense of \$282,811 and \$185,370 for the nine months ended September 30, 2016 and 2015, 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 Condensed Consolidated Statements of Operations:

	For the Nine Months Ended September 30	
	2016	2015
Research and development	\$ 50,766	\$ 41,172
Selling and marketing	32,404	27,386
General and administrative	199,641	116,812
Total stock-based compensation expense	<u>\$ 282,811</u>	<u>\$ 185,370</u>

#### *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 convertible debentures and deferred revenue with carrying values that approximate fair value.

#### *Fair Value Measurements*

The Company follows the guidance of FASB ASC Topic 820, “*Fair Value Measurements and Disclosures*” (“ASC 820”) as it related to all financial assets and financial liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis.

The Company generally defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company uses a three-tier fair value hierarchy, which classifies the inputs used in measuring fair values. These tiers include: Level 1, defined as observable inputs such as quoted prices for identical instruments in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring the Company to develop its own assumptions.

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that its financial assets are classified within Level 1 and its financial liabilities are currently classified within Level 3 in the fair value hierarchy. The development of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's management.

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2016:

	September 30, 2016	Fair value measurements at September 30, 2016 using:		
		Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Available-For-Sale Equity Securities	\$ 59,550	\$ 59,550	\$ -	\$ -
Total Financial Assets	\$ 59,550	\$ 59,550	\$ -	\$ -

	September 30, 2016	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Series D Preferred Stock Purchase Warrants	\$ 189,884	\$ —	\$ —	\$ 189,884
Warrants Issued with Convertible Debt	4,135,980	—	—	4,135,980
Conversion Option Derivative Liabilities	4,627,452	—	—	4,627,452
Total Derivatives	\$ 8,953,316	\$ —	\$ —	\$ 8,953,316

The following table provides a summary of the changes in fair value, including net transfers in and/or out, of the derivative financial instruments, measured at fair value on a recurring basis using significant unobservable inputs for the nine months ended September 30, 2016:

	December 31, 2015	Issuance fair value	Change in fair value	Gain on extinguishment of derivative liabilities	September 30, 2016
Available-For-Sale Equity Securities	\$ 294,522	\$ -	\$ (234,972)	\$ —	\$ 59,550
Total Financial Assets	\$ 294,522	\$ —	\$ (234,972)	\$ —	\$ 59,550

	December 31, 2015	Issuance fair value	Change in fair value	September 30, 2016
Series D Preferred Stock Purchase Warrants	\$ 173,526	\$ —	\$ 16,358	\$ 189,884
Convertible Debt Warrants	3,122,450	1,094,432	(80,902)	4,135,980
Conversion Option Liabilities	3,940,791	1,547,127	(860,466)	4,627,452
Total Derivatives	\$ 7,236,767	\$ 2,641,559	\$ (925,010)	\$ 8,953,316

The amounts above valued at issuance includes \$1,337,510 that was charged directly to "change in fair value of derivative liabilities" at issuance.

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2015:

	<b>December 31, 2015</b>	<b>Fair value measurements at December 31, 2015 using:</b>		
		<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
Available-For-Sale Equity Securities	\$ 294,522	\$ 294,522	\$ —	\$ —
Total Financial Assets	\$ 294,522	\$ 294,522	\$ —	\$ —

  

	<b>December 31, 2015</b>	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant other observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>
		Series D Preferred Stock Purchase Warrants	\$ 173,526	\$ —
Warrants Issued with Convertible Debt	3,122,450	—	—	3,122,450
Conversion Option Derivative Liabilities	3,940,791	—	—	3,940,791
Total Derivatives	\$ 7,236,767	\$ —	\$ —	\$ 7,236,767

The assumptions for the binomial pricing model are represented in the table below for the warrants issued in the Series D private placement reflected on a per share common stock equivalent basis.

Assumptions	November 10, 2011	Warrants revalued at December 31, 2015	Warrants revalued at September 30, 2016
Expected life (in months)	60.0	11.0	8.0
Expected volatility	104.5%	104.9%	92.4%
Risk-free interest rate	0.875%	0.65%	0.45%
Exercise price	\$ 0.81	\$ 0.25	\$ 0.25
Fair value per warrant	\$ 0.54	\$ 0.16	\$ 0.18

The assumptions for the binomial pricing model are represented in the table below for the warrants issued with the Convertible Debt throughout the period reflected on a per share common stock equivalent basis.

Assumptions	At Issuance Fair value	Warrants revalued at December 31, 2015	Warrants revalued at September 30, 2016
Expected life (in months)	36.0-60.0	55.0-60.0	46.0-54.0
Expected volatility	114.3 - 138.3%	136.3-141.6%	116.2 -137.4%
Risk-free interest rate	0.86-1.69%	1.29-1.76 %	1.01%
Exercise price	\$ 00.40-\$0.42	0.40	\$ 0.40
Fair value per warrant	\$ 0.19-\$0.40	0.30	\$ 0.30-\$1.35

The assumptions for the binomial pricing model are represented in the table below for the conversion options reflected on a per share common stock equivalent basis.

Assumptions	At Issuance fair value	Conversion options revalued at December 31, 2015	Conversion options revalued at September 30, 2016
Expected life (in months)	3-24	18-24	10-18
Expected volatility	97.6-153.8%	112.2-114.7%	94.3%-96.6 %
Risk-free interest rate	0.37-0.99%	1.06%	0.59-0.77%
Exercise price	\$ 0.24-\$0.45	\$ 0.28	\$ 0.28
Fair value per conversion option	\$ 0.07-\$0.30	\$ 0.14-\$0.33	\$ 0.17-\$0.21



## **5) Commitments and Contingencies**

### *Operating Leases*

Our corporate offices are currently located at 14 Norfolk Avenue, South Easton, Massachusetts 02375. We are currently paying \$4,800 per month, on a lease extension, signed on December 29, 2015, that expires December 31, 2016, for our corporate office.

On November 1, 2014 we signed a lease for lab space in Medford, MA. We subsequently expanded our space in Medford. The lease expires December 30, 2017 and requires monthly payments of \$5,385 subject to annual cost of living increases.

Rental costs are expensed as incurred. During the nine months ended September 30, 2016 and 2015 we incurred \$108,038 and \$73,775 in rent expense, respectively for the use of our corporate office and research and development facilities.

### *Government Grants*

We have received a \$1.05 million NIH SBIR Phase II Grant. Under the grant, the NIH has committed to pay the Company to develop a high-throughput, high pressure-based DNA Shearing System for Next Generation Sequencing and other genomic applications. The grant terminates in November 2017.

## **6) Convertible Debt and Other Debt**

### *Senior Secured Convertible Debentures and Warrants*

We entered into Subscription Agreements (the "Subscription Agreement") with various individuals (each, a "Purchaser") between July 23, 2015 and March 31, 2016, pursuant to which the Company sold Senior Secured Convertible Debentures (the "Debentures") and warrants to purchase shares of common stock equal to 50% of the number of shares issuable pursuant to the subscription amount (the "Warrants") for an aggregate purchase price of \$6,329,549 (the "Purchase Price").

The Company issued a principal aggregate amount of \$6,962,504 in Debentures which includes a 10% original issue discount on the Purchase Price. The Debenture does not accrue any additional interest during the first year it is outstanding but accrues interest at a rate equal to 10% per annum for the second year it is outstanding. The Debenture has a maturity date of two years from issuance. The Debenture is convertible any time after its issuance date. The Purchaser has the right to convert the Debenture into shares of the Company's common stock at a fixed conversion price equal to \$0.28 per share, subject to applicable adjustments. In the second year that the Debenture is outstanding, any interest accrued shall be payable quarterly in either cash or common stock, at the Company's discretion.

At any time after the Issuance Date, the Company has the option, subject to certain conditions, to redeem some or all of the then outstanding principal amount of the Debenture for cash in an amount equal to the sum of (i) 120% of the then outstanding principal amount of the Debenture, (ii) accrued but unpaid interest and (iii) any liquidated damages and other amounts due in respect of the Debenture.

The Company issued warrants exercisable into a total of 11,302,766 shares of our common stock. The Warrants issued in this transaction are immediately exercisable at an exercise price of \$0.40 per share, subject to applicable adjustments including full ratchet anti-dilution in the event that we issue any securities at a price lower than the exercise price then in effect. The Warrants have an expiration period of five years from the original issue date. The Warrants are subject to adjustment for stock splits, stock dividends or recapitalizations and also include anti-dilution price protection for subsequent equity sales below the exercise price.

Subject to the terms and conditions of the Warrants, at any time commencing six months from the Final Closing, the Company has the right to call the Warrants for cancellation if the volume weighted average price of its Common Stock on the OTC QB Market (or other primary trading market or exchange on which the Common Stock is then traded) equals or exceeds three times the per share exercise price of the Warrants for 15 out of 20 consecutive trading days.

In connection with the Subscription Agreement and Debenture, the Company entered into Security Agreements with the Purchasers whereby the Company agreed to grant to Purchasers an unconditional and continuing, first priority security interest in all of the assets and property of the Company to secure the prompt payment, performance and discharge in full of all of Company's obligations under the Debentures, Warrants and the other Transaction Documents.

The Company determined that the conversion feature of the Debentures met the definition of a liability in accordance with ASC 815-40 and therefore bifurcated the conversion feature on each debt agreement and accounted for it as a derivative liability. The fair value of the conversion feature was accounted for as a note discount and are amortized to interest expense over the life of the loan. The fair value of the conversion feature was reflected in the conversion option liability line in the condensed consolidated balance sheets.

The proceeds from these convertible debts were allocated between the host debt instrument and the convertible option based on the residual method. The estimated fair value of the convertible option was determined using a binomial formula, resulting in allocations to the convertible option and accounted for as a liability in the Company's condensed consolidated balance sheet. In accordance with the provisions of ASC 815-40, the gross proceeds are offset by debt discounts, which are amortized to interest expense over the expected life of the debt.

ASC 470-20 states that the proceeds from the issuance of debt with detachable stock warrants should be allocated between the debt and warrants on the basis of their relative fair market values. The debt discount will be amortized to interest expense over the two year term of these loans. We amortized \$2,768,527 of the debt discount to interest expense in 2016. The warrants issued in connection with the convertible debentures are classified as warrant derivative liabilities because the warrants are entitled to certain rights in subsequent financings and the warrants contain "down-round protection" and therefore, do not meet the scope exception for treatment as a derivative under ASC 815, Derivatives and Hedging, ("ASC 815"). Since "down-round protection" is not an input into the calculation of the fair value of the warrants, the warrants cannot be considered indexed to the Company's own stock which is a requirement for the scope exception as outlined under ASC 815. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$2,847,624 to the total warrants out of the gross proceeds of \$6,329,549. The fair value will be affected by changes in inputs to that model including our stock price, expected stock price volatility, the contractual term, and the risk-free interest rate. We will continue to classify the fair value of the warrants as a liability until the warrants are exercised, expire or are amended in a way that would no longer require these warrants to be classified as a liability, whichever comes first.

*Other convertible notes*

On May 13, 2016, one lender converted an outstanding note issued on April 28, 2015 and the related accrued interest totaling \$117,837 to 420,849 common shares. As of September 30, 2016, the outstanding balance on the note was zero.

On May 24, we sold an additional convertible note for \$107,000 with warrants to purchase 50,000 shares of common stock at an exercise price of \$0.55 per share. The purchaser has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$12,406 to the total warrants and the recognition of a beneficial conversion feature of \$7,962, both of which were recorded as a discount to the note. We evaluated the convertible note and warrants for derivative liability treatment and determined that these instruments do not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On June 14, 2016, we sold an additional convertible note for \$115,000 and issued 30,667 common shares to compensate the lender. On July 1, 2016, the note was modified to increase the principal amount to \$200,000 and we received the remaining proceeds of \$85,000 on the same date and issued 34,333 common shares as compensation to the lender. The lender has the right to convert the note into shares of the Company's common stock at fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. We valued the total 65,000 common shares using the stock prices at the respective dates the note proceeds were received and recorded the relative fair value of the shares amounting to \$26,000 as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financing. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

On July 29, 2016, we sold an additional convertible note for \$100,000 and issued 32,500 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair values of the convertible note and the common shares was \$87,241 and \$12,759, respectively. We then computed the effective conversion price of the note, noting that the convertible debt gave rise to a beneficial conversion feature (BCF) of \$12,759. The sum of the relative fair value of the common shares and the BCF of \$25,518 was recorded as a debt discount to be amortized over the term of the loan. We also evaluated the convertible note for derivative liability treatment and determined that the instruments does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangements did not qualify for derivative accounting treatment.

On September 15, 2016, we sold an additional convertible note for \$500,000 and issued 200,000 common shares to compensate the lender. The lender has the right to convert the notes into shares of the Company's common stock at a fixed conversion price equal to \$0.45 per share, subject to applicable adjustments. The convertible note includes an original issue discount of \$40,541 and is subject to annual interest of 9%. The proceeds were allocated between the convertible note and shares of common stock based on their relative fair values. The relative fair value of the convertible note was \$434,028. The allocation of the gross proceeds to the shares of common stock was \$65,972 and recorded as a debt discount to be amortized over the term of the loan. We then computed the effective conversion price of the note, noting that no beneficial conversion feature exists. We also evaluated the convertible note for derivative liability treatment and determined that the instrument does not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that this financing arrangement did not qualify for derivative accounting treatment.

The specific terms of the convertible debts and outstanding balances as of September 30, 2016 are listed in the table below.

**Fixed Rate Convertible Notes**

<b>Inception Date</b>	<b>Term</b>	<b>Loan Amount</b>	<b>Outstanding Balance</b>	<b>Original Issue Discount</b>	<b>Interest Rate</b>	<b>Deferred Finance Fees</b>	<b>Discount related to fair value of conversion feature and warrants/shares</b>
July 22, 2015	24 months	\$ 2,180,000	\$ 2,180,000	\$ 218,000 <sup>1</sup>	10% <sup>2</sup>	\$ 388,532	\$ 2,163,074
September 25, 2015	24 months	1,100,000	1,100,000	110,000 <sup>1</sup>	10% <sup>2</sup>	185,956	1,022,052
October 2, 2015	24 months	150,000	150,000	15,000 <sup>1</sup>	10% <sup>2</sup>	26,345	140,832
October 6, 2015	24 months	30,000	30,000	3,000 <sup>1</sup>	10% <sup>2</sup>	5,168	26,721
October 14, 2015	24 months	50,000	50,000	5,000 <sup>1</sup>	10% <sup>2</sup>	8,954	49,377
November 2, 2015	24 months	250,000	250,000	25,000 <sup>1</sup>	10% <sup>2</sup>	43,079	222,723
November 10, 2015	24 months	50,000	50,000	5,000 <sup>1</sup>	10% <sup>2</sup>	8,790	46,984
November 12, 2015		215,000	215,000	21,500	10% <sup>2</sup>	38,518	212,399

November 20, 2015	24 months							
	24 months	200,000	200,000	20,000 <sup>1</sup>	10% <sup>2</sup>	37,185	200,000	
December 4, 2015	24 months	170,000	170,000	17,000 <sup>1</sup>	10% <sup>2</sup>	37,352	170,000	
December 11, 2015	24 months	360,000	360,000	36,000 <sup>1</sup>	10% <sup>2</sup>	75,449	360,000	
December 18, 2015	24 months	55,000	55,000	5,500 <sup>1</sup>	10% <sup>2</sup>	11,714	55,000	
December 31, 2015	24 months	100,000	100,000	10,000 <sup>1</sup>	10% <sup>2</sup>	20,634	100,000	
January 11, 2016	24 months	100,000	100,000	10,000 <sup>1</sup>	10% <sup>2</sup>	24,966	80,034	
January 20, 2016	24 months	50,000	50,000	5,000 <sup>1</sup>	10% <sup>2</sup>	9,812	40,188	
January 29, 2016	24 months	300,000	300,000	30,000 <sup>1</sup>	10% <sup>2</sup>	60,887	239,113	
February 26, 2016	24 months	200,000	200,000	20,000 <sup>1</sup>	10% <sup>2</sup>	43,952	156,048	
March 10, 2016	24 months	125,000	125,000	12,500 <sup>1</sup>	10% <sup>2</sup>	18,260	106,740	
March 18, 2016	24 months	360,000	360,000	36,000 <sup>1</sup>	10% <sup>2</sup>	94,992	265,008	
March 24, 2016	24 months	106,667	106,667	10,667 <sup>1</sup>	10% <sup>2</sup>	15,427	91,240	
March 31, 2016	24 months	167,882	167,882	16,788 <sup>1</sup>	10% <sup>2</sup>	2,436	165,446	
April 5, 2016	24 months	10,000	10,000	1,000 <sup>1</sup>	10% <sup>2</sup>	-	10,000	
May 24, 2016	7 months	100,000	100,000	7,000	0%	-	20,368	
June 15, 2016	6 months	40,000	40,000	-	12%	-	3,680	
June 17, 2016	6 months	40,000	40,000	-	12%	-	3,899	
June 22, 2016	6 months	35,000	35,000	-	12%	-	3,373	
July 6, 2016	6 months	85,000	85,000	-	12%	-	15,048	
July 29, 2016	6 months	100,000	100,000	-	12%	-	25,518	
September 15, 2016	8 months	500,000	500,000	40,541	9%	-	65,972	
		<u>\$ 7,229,549</u>	<u>\$ 7,229,549</u>	<u>\$ 680,496</u>		<u>\$ 1,158,408</u>	<u>\$ 6,060,837</u>	

1 The original issue discount is reflected in the first year.

2 The annual interest starts accruing in the second year.

The closings above on March 10, 24, and 31, 2016 included \$264,667 of proceeds received from related parties.

At any time after six months from the Inception Date, the Company has the right to prepay the above Debentures in cash for 120% of the principal amount outstanding and any accrued interest. As of September 30, 2016, a total of approximately \$291,000 convertible debentures were purchased by related parties who were members of the Company's Board of Directors.

The following table provides a summary of the changes in convertible debt, net of unamortized discount, during 2016:

	<b>2016</b>
Balance at January 1,	\$ 277,342
Issuance of convertible debt, face value	2,509,045
Original issue discount	(189,496)
Debt discount from derivative liabilities (embedded conversion option and warrants)	(1,153,817)
Debt discount from shares and warrants issued with the notes	(117,137)
Debt discount from beneficial conversion feature	(20,721)
Deferred financing fees	(270,732)
Conversion of debentures to common shares	(100,000)
Accretion of interest and amortization of debt discount to interest expense through September 30,	2,808,261
Balance at September 30,	3,742,745
Less: current portion	2,664,334
Convertible debt, long-term portion	\$ 1,078,411

#### *Other Notes*

On January 6, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$250,000 in exchange for rights to all customer receipts until the lender is paid \$322,500, which is collected at the rate of \$1,280 per business day. The payments were secured by second position rights to all customer receipts until the loan has been paid in full. \$138,840 of the proceeds were used to pay off the outstanding balance of a previous loan from another lender. The Company recognized a gain on the settlement of the previous loan of \$5,044 which was credited to interest expense. The Company paid \$2,500 in fees in connection with this loan. We received an additional \$93,161 in June 2016 under the existing Merchant Agreement. The note was still outstanding as of September 30, 2016 with a balance of \$105,125.

On January 20, 2016, we borrowed \$50,000 from an individual with no interest or fees. We paid back the loan in March 2016.

On February 8, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$100,000 in exchange for third position rights to all customer receipts until the lender is paid \$129,900, which is collected at the rate of \$927 per business day. The Company paid \$2,000 in fees in connection with this loan. We received an additional \$125,000 in June 2016 under the existing Merchant Agreement of which \$48,420 was used to pay off the prior loan. The note was still outstanding as of September 30, 2016 with a balance of \$2,119 after payments of \$56,841. The lender provided an additional \$70,000 on August 16, 2016. We repaid a portion of the \$70,000 with \$49,200 remaining as outstanding as of September 30, 2016.

On May 9, 2016 we signed a promissory note with a lender. Under the agreement we received \$200,000 net of a \$6,000 original issue discount and we repaid \$206,000 on August 25, 2016. In connection with this promissory note, we issued warrants exercisable into 100,000 shares of our common stock. The warrants issued in this transaction are immediately exercisable at an exercise price of \$0.55 per share. The warrants have an expiration period of three years from the original issue date. The warrants are subject to adjustment for stock splits, stock dividends or recapitalizations. The warrants were recorded as a component of our Stockholders' Equity. The estimated fair value of the warrants was determined using the binomial model, resulting in an allocation of \$27,349 to the total warrants and recorded as a discount to the note to be amortized over the term of the loan. We evaluated the warrants for derivative liability treatment and determined that these instruments do not include certain rights such as price protection like our previous debt financings. Accordingly, we concluded that these instruments did not qualify for derivative accounting treatment. In August 2016, the lender extended the maturity date of the note from August 11, 2016 to August 25, 2016. Consequently, a penalty interest of \$41,200 was added to the principal amount and settled through the issuance of 100,049 common shares. As of September 30, 2016, the outstanding balance on this note was zero.

On August 26, 2016 we signed a Merchant Agreement with a lender. Under the agreement we received \$122,465 net proceeds in exchange for rights to all customer receipts which is collected at the rate of \$1,386 per business day. The note was still outstanding as of September 30, 2016 with a balance of \$91,736.

#### **7) Stockholders' Deficit**

##### *Preferred Stock*

We are authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.01. Of the 1,000,000 shares of preferred stock:

- 1) 20,000 shares have been designated as Series A Junior Participating Preferred Stock ("*Junior A*")
- 2) 313,960 shares have been designated as Series A Convertible Preferred Stock ("*Series A*")
- 3) 279,256 shares have been designated as Series B Convertible Preferred Stock ("*Series B*")
- 4) 88,098 shares have been designated as Series C Convertible Preferred Stock ("*Series C*")
- 5) 850 shares have been designated as Series D Convertible Preferred Stock ("*Series D*")
- 6) 500 shares have been designated as Series E Convertible Preferred Stock ("*Series E*")
- 7) 240,000 shares have been designated as Series G Convertible Preferred Stock ("*Series G*")

8) 10,000 shares have been designated as Series H Convertible Preferred Stock (“*Series H*”)

9) 21 shares have been designated as Series H2 Convertible Preferred Stock (“*Series H2*”)

10) 6,250 shares have been designated as Series J Convertible Preferred Stock (“*Series J*”)

11) 15,000 shares have been designated as Series K Convertible Preferred Stock (“*Series K*”)

As of September 30, 2016, there were no shares of Junior A, and Series A, B, C and E issued and outstanding. See our Annual Report on Form 10-K for the year ended December 31, 2015 for the pertinent disclosures of preferred stock.

Stock Options and Warrants

Our stockholders approved our amended 2005 Equity Incentive Plan (the “Plan”) pursuant to which an aggregate of 1,800,000 shares of our common stock were reserved for issuance upon exercise of stock options or other equity awards made under the Plan. Under the Plan, we may award stock options, shares of common stock, and other equity interests in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of September 30, 2016, options to acquire 1,153,750 shares were outstanding under the Plan with 646,250 shares available for future grant under the Plan.

On December 12, 2013 at the Company’s special meeting the shareholders approved the 2013 Equity Incentive Plan (the “2013 Plan”) pursuant to which 3,000,000 shares of our common stock were reserved for issuance upon exercise of stock options or other equity awards. Under the 2013 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 September 30, 2016, a total of 2,047,500 options have been granted under the 2013 Plan with 952,500 shares available for future grants.

On November 29, 2015 the Company’s Board of Directors adopted the 2015 Nonqualified Stock Option Plan (the “2015 Plan”) pursuant to which 5,000,000 shares of our common stock were reserved for issuance upon exercise of non-qualified stock options. Under the 2015 Plan, we may award non-qualified stock options in the Company to employees, officers, directors, consultants, and advisors, and to any other persons the Board of Directors deems appropriate. As of September 30, 2016, non-qualified options to acquire 2,068,000 shares were outstanding under the Plan with 2,932,000 shares available for future grants.

All of the outstanding non-qualified options had an exercise price that was at or above the Company’s common stock share price on September 30, 2016.

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

	Stock Options		Warrants		Total
	Weighted Average		Weighted Average		
	Shares	Price per share	Shares	Price per share	
Balance outstanding, 01/01/15	<u>3,406,250</u>	\$ 0.51	<u>19,182,201</u>	\$ 0.49	<u>22,588,451</u>
Granted	2,500,000	0.40	10,837,141	0.40	13,337,141
Exercised	—	—	—	—	—
Expired	(205,000)	1.00	(791,678)	0.31	(996,678)
Forfeited	(130,000)	0.70	—	—	(130,000)
Balance outstanding, 12/31/15	<u>5,571,250</u>	\$ 0.44	<u>29,227,664</u>	\$ 0.44	<u>34,798,914</u>
Granted	—	—	4,294,552	0.43	4,294,552
Exercised	—	—	(70,000)	0.31	(70,000)
Expired	(186,000)	1.00	(8,627,521)	0.61	(8,813,521)
Forfeited	(116,000)	0.51	—	—	(116,000)
Balance outstanding, 9/30/2016	<u>5,269,250</u>	\$ 0.42	<u>24,824,695</u>	\$ 0.39	<u>30,093,945</u>

Range of Exercise Prices	Options Outstanding			Options Exercisable		
	Number of Options	Weighted Average		Number of Options	Weighted Average	
		Remaining Contractual Life (Years)	Exercise Price		Remaining Contractual Life (Years)	Exercise Price
\$0.30 - \$0.39	1,625,500	8.0	\$ 0.30	1,248,514	8.0	\$ 0.30
0.40 - 0.49	2,786,000	9.0	0.40	1,165,000	8.6	0.40
0.50 - 0.59	226,250	5.9	0.50	226,250	5.9	0.50
0.60 - 0.69	385,500	3.4	0.60	385,500	3.4	0.60
0.70 - 1.25	246,000	2.6	1.00	246,000	2.6	1.00
\$0.30 - \$1.25	<u>5,269,250</u>	7.8	\$ 0.42	<u>3,271,264</u>	7.1	\$ 0.44

As of September 30, 2016, the total estimated fair value of unvested stock options to be amortized over their remaining vesting period was \$459,724. The non-cash, stock-based compensation expense associated with the vesting of these options is expected to be \$90,445 for the remainder of 2016, \$212,957 in 2017 and \$156,322 in 2018.

#### Common Stock Issuances

On April 22, 2016, we issued 22,996 shares of common stock in connection with a cashless exercise of 70,000 warrants.

On May 6, 2016, all remaining Series K preferred shareholders except one converted 4,600 shares of preferred stock into approximately 4.6 million shares of the Company's common stock. The Company issued 247,435 shares of common stock to pay the accrued dividend of \$63,413 on Series K preferred stock.

On May 13, 2016, we issued 420,849 shares of common stock to convert \$117,837 of convertible note principal and related interest. See Note 6

On various dates from January to September 2016, we issued a total of 297,500 shares of common stock in connection with the convertible notes issued to lenders. We also issued 100,049 shares of common stock to settle debt of \$41,200. See Note 6.

On August 29, 2016, a Series J preferred shareholder converted 25 shares of preferred stock into 25,000 shares of the Company's common stock. The Company issued 1,112 shares of common stock to pay the accrued dividend of \$445 on Series J preferred stock.

On various dates from January to September 2016 the Company issued 755,000 shares of restricted common stock to investor relations firms for services rendered.

#### Sale of Common Stock

On August 29, September 9 and September 14, 2016, we completed private placements, pursuant to which we sold an aggregate of 1,125,000 shares of common stock, \$0.01 par value, for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$450,000. The shares were issued and sold to a total of 2 accredited investors pursuant to a securities purchase agreement entered into as of August 29, 2016. The investors received warrants to purchase 1,125,000 shares of the Company's common stock at \$0.50 exercise price. The warrants expire 5 years after issuance. We also incurred stock issuance costs related to broker and legal fees of \$67,035 which were charged to additional paid in capital.

#### **8) Subsequent Events**

On October 11 and November 10, 2016, we completed two additional tranches of the Fall 2016 Private Placement, pursuant to which we sold an aggregate of 400,000 shares of common stock, \$0.01 par value, for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$160,000. The Shares were issued and sold to a total of 2 accredited investors pursuant to a Securities Purchase Agreement entered into as of the date of their investments. The investors received warrants to purchase a total of 400,000 shares of the Company's common stock at an exercise price of \$0.50. The warrants expire 5 years after issuance.

On October 28, 2016, an accredited investor (the "Investor") purchased a promissory note in the aggregate principal amount of up to \$2,000,000 (the "Note") due and payable on the earlier of October 28, 2017 or on the seventh business day after the closing of a Qualified Offering (as defined in the Note). Although the Note is dated October 26, 2016, the transaction did not close until October 28, 2016, when the Company received its initial \$250,000 advance pursuant to the Note. As a result, on the same day and pursuant to the Note, the Company issued to the Investor a Common Stock Purchase Warrant to purchase 625,000 shares of the Company's common stock ("Common Stock") at an exercise price per share equal to \$0.40 per share. The Investor is obligated to provide the Company \$250,000 advances under the Note, but the Investor shall not be required to advance more than \$250,000 in any individual fifteen (15) day period and no more than \$500,000 in the thirty (30) day period immediately following the date of the initial advance. Notwithstanding the fifteen (15) day period limitation, on November 2, 2016, the Company received a second \$250,000 advance pursuant to the Note and the Company issued to the Investor the second warrant to purchase 625,000 shares of the Common Stock. The terms of the first and second warrants are identical except for the exercise date, issue date, and termination date. Interest on the principal balance of the Note shall be paid in full on the Maturity Date, unless otherwise paid prior to the Maturity Date. Interest shall be assessed as follows: (i) 10% on all principal amounts advanced prior to April 28, 2017; (ii) the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between April 28, 2017 and July 28, 2017; or (iii) both of the foregoing and 4% on any amount remaining outstanding if the principal amount is repaid between July 28, 2017 and October 28, 2017. Our placement agent is being paid eight percent (8%) of all principal amounts advanced in connection with this transaction.



On November 1, 2016, we signed a consulting agreement with an investor relations firm for a twelve month period with a six-month cancellation clause. In connection with this agreement, we issued a warrant exercisable at \$0.40 per share for 660,000 shares of our common stock. Of these shares, 330,000 vest immediately and 330,000 shares vest 181 days after November 1, 2016. The warrant expires five years from issuance.

## ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

This Quarterly Report on Form 10-Q of Pressure BioSciences, Inc. ("PBI", "we", "us", "our", "the Company") contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). 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 need for, and our ability to raise, additional equity or debt financing on acceptable terms, if at all;
- our need to take additional cost reduction measures, cease operations or sell our operating assets, if we are unable to obtain sufficient additional financing;
- our belief that we have sufficient liquidity to finance normal operations;
- the options we may pursue in light of our financial condition;
- the amount of cash necessary to operate our business;
- the anticipated uses of grant revenue and the potential for increased grant revenue in future periods;
- our plans and expectations with respect to our continued operations;
- our belief that pressure cycling technology ("PCT") has achieved initial market acceptance in the mass spectrometry and other markets;
- the expected increase in the number of PCT and constant pressure based units installed and the increase in revenues from the sale of consumable products and extended service contracts;
- the expected development and success of new instrument and consumables product offerings;
- the potential applications for our instrument and consumables product offerings;
- the expected expenses of, and benefits and results from, our research and development efforts;
- the expected benefits and results from our collaboration programs, strategic alliances and joint ventures;
- our expectation of obtaining additional research grants from the government in the future;
- our expectations of the results of our development activities funded by government research grants;
- the potential size of the market for biological sample preparation;
- general economic conditions;
- the anticipated future financial performance and business operations of our company;
- our reasons for focusing our resources in the market for genomic, proteomic, lipidomic and small molecule sample preparation;
- the importance of mass spectrometry as a laboratory tool;

- the advantages of PCT over other current technologies as a method of biological sample preparation in biomarker discovery, forensics, and histology and for other applications;
- the capabilities and benefits of our PCT sample preparation system, consumables and other products;
- our belief that laboratory scientists will achieve results comparable with those reported to date by certain research scientists who have published or presented publicly on PCT and our other products;
- our ability to retain our core group of scientific, administrative and sales personnel; and
- our ability to expand our customer base in sample preparation and for other applications of PCT and our other products.

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 Quarterly Report on Form 10-Q. 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 Quarterly Report on Form 10-Q 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. Factors that could cause or contribute to differences in our future financial and other results include those discussed in the risk factors set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2015. We qualify all of our forward-looking statements by these cautionary statements.

## OVERVIEW

We are focused on solving the challenging problems inherent in biological sample preparation, a crucial laboratory step performed by scientists worldwide working in biological life sciences research. Sample preparation is a term that refers to a wide range of activities that precede most forms of scientific analysis. Sample preparation is often complex, time-consuming and, in our belief, one of the most error-prone steps of scientific research. It is a widely-used laboratory undertaking – the requirements of which drive what we believe is a large and growing worldwide market. We have developed and patented a novel, enabling technology platform that can control the sample preparation process. It is based on harnessing the unique properties of high hydrostatic pressure. This process, called PCT, uses alternating cycles of hydrostatic pressure between ambient and ultra-high levels i.e., 45,000 pounds per square inch (“psi”) or greater to safely, conveniently and reproducibly control the actions of molecules in biological samples, such as cells and tissues from human, animal, plant and microbial sources.

Our pressure cycling technology uses internally developed instrumentation that is capable of cycling pressure between ambient and ultra-high levels at controlled temperatures and specific time intervals, to rapidly and repeatedly control the interactions of bio-molecules, such as deoxyribonucleic acid (“DNA”), ribonucleic acid (“RNA”), proteins, lipids and small molecules. Our laboratory instrument, the Barocycler<sup>®</sup>, and our internally developed consumables product line, which include our Pressure Used to Lyse Samples for Extraction (“PULSE”) tubes, and other processing tubes, and application specific kits such as consumable products and reagents, together make up our PCT Sample Preparation System (“PCT SPS”).

We have experienced negative cash flows from operations with respect to our pressure cycling technology business since our inception. As of September 30, 2016, we did not have adequate working capital resources to satisfy our current liabilities and as a result we have substantial doubt about our ability to continue as a going concern. Based on our current projections, including equity financing subsequent to September 30, 2016, we believe we will have the cash resources that will enable us to continue to fund normal operations into the foreseeable future.

We need substantial additional capital to fund normal operations in future periods. 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 will likely be required to 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.

We hold 14 United States and 10 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
- immunodiagnosics (clinical laboratory testing).

We reported a number of accomplishments in the first nine months of 2016:

On January 12, 2016 SCIEX, a global leader in life science analytical technologies (Framingham, MA) and a wholly-owned subsidiary of Danaher Corporation (NYSE: DHR), announced an exclusive co-marketing agreement with PBI to improve protein quantification in complex samples.

On January 28, 2016 in a report focused on the exclusive co-marketing agreement between SCIEX and PBI, Emerging Growth LLC indicated the combination of the two company's technologies could result in superior biological insights and discoveries and in rapid and dramatic revenue growth for PBI.

On February 3, 2016 SCIEX and Children's Medical Research Institute (Sydney, Australia) announced they had joined forces to advance the promise of precision medicine. The partners stated they would benefit from SCIEX's exclusive collaborators, including Pressure BioSciences, and PBI's PCT platform for increased protein quantitation and reproducibility.

On March 14, 2016 the Company announced that we would participate in a SCIEX workshop on new innovations towards industrialized proteomics at the US HUPO scientific conference in Boston.

On April 12, 2016, the Company announced that we had been added to the high-performing Richmond Club Index. The Richmond Index has outperformed the S&P 500 Index by an average of 11% each year for the past ten years.

On July 13, 2016, the Company announced the unveiling of the newest addition to our product line based on their patented and powerful PCT platform, the Barocyler 2320EXTREME ("2320EXT"). The product unveiling took place during the recent annual conference of the American Society for Mass Spectrometry ("ASMS") in San Antonio, Texas.

On July 21, 2016, the Company announced the initial shipment of our Barocyler 2320EXTREME instrument to an Australian cancer research group (ProCan) named by the White House as a collaborator in the U.S.'s "Cancer Moonshot" initiative.

On October 26, 2016, the Company announced its featured participation in the recent opening of The ACRF International Centre for the Proteome of Human Cancer located in newly renovated laboratory facilities at the Children's Medical Research Institute near Sydney, Australia.

## **Results of Operations**

### ***Comparison for the three months ended September 30, 2016 and 2015***

#### *Revenue*

We recognized total revenue of \$535,334 for the three months ended September 30, 2016 as compared to \$580,334 during the three months ended September 30, 2015, a decrease of \$45,000 or 8%. This decrease is solely attributable to decreases in grant related activities and technical support services as detailed below.

*Products, Services, Other.* Revenue from the sale of products and services increased 4% to \$500,949 for the three months ended September 30, 2016 as compared to \$481,452 during the three months ended September 30, 2015. This increase was primarily attributable to the launch of the Barocyler 2320 Extreme pressure-based instrument systems. Sales of consumables also increased for the three months ended September 30, 2016 to \$32,811 compared to \$28,339 during the same period in the prior year, an increase of 16%.

*Grant Revenue.* During the three months ended September 30, 2016, we recorded grant revenue of \$34,385 compared to grant revenue of \$98,882 in the comparable period in 2015. Work on the \$1.05 million NIH grant decreased during the third quarter as we continued to wait for certain significant parts to be manufactured. These parts were received during the second quarter of 2016, and are currently being put through our quality control procedures. Once released from quality control, the availability of these parts should result in an increase in grant work in future periods.

#### *Cost of Products and Services*

The cost of products and services was \$262,894 for the three months ended September 30, 2016 compared to \$209,804 for the comparable period in 2015. Gross profit margin on products and services was 47% for the three months ended September 30, 2016, as compared to 56% for the prior period. Cost of products increased and gross profit margin decreased because we sold several of our new Barocyler 2320EXTREME units during the quarter and the cost to manufacture these units was higher than expected because of start-up costs related to the initial manufacture of these systems. We expect the cost to manufacture these units will decrease and the sales price to increase in the coming quarters..

#### *Research and Development*

Research and development expenditures were \$268,317 during the three months ended September 30, 2016 as compared to \$355,574 in the same period in 2015, a decrease of \$87,257 or 25%. The prior period included the cost of research performed by a customer on our behalf.

Research and development expense recognized in the three months ended September 30, 2016 and 2015 included \$14,735 and \$18,307

of non-cash, stock-based compensation expense, respectively.

*Selling and Marketing*

Selling and marketing expenses increased to \$224,380 for the three months ended September 30, 2016 from \$207,888 for the comparable period in 2015, an increase of \$16,492 or 8%. This increase was due to commissions paid to our sales person and the cost of part-time help over the summer months in 2016.

During the three months ended September 30, 2016 and 2015, selling and marketing expense included \$9,911 and \$13,310 of non-cash, stock-based compensation expense, respectively.

### *General and Administrative*

General and administrative costs totaled \$231,550 for the three months ended September 30, 2016 as compared to \$497,796 for the comparable period in 2015. This decrease was due primarily to credits received from charges incurred with a former professional service provider.

During the three months ended September 30, 2016 and 2015, general and administrative expense included \$65,854 and \$43,247 of non-cash, stock-based compensation expense, respectively.

### *Operating Loss*

Our operating loss was \$451,807 for the three months ended September 30, 2016 as compared to \$690,728 for the comparable period in 2015, a decrease of \$238,921. This decrease was due primarily to credits received from a former professional service provider.

### *Other Income (Expense), Net*

#### *Interest (Expense) Income*

Interest expense was \$1,116,328 for the three months ended September 30, 2016 as compared to interest expense of \$1,584,830 for the three months ended September 30, 2015. Interest expense primarily relate to debt discounts from the sale of senior secured convertible debentures and other convertible and non-convertible notes.

#### *Change in fair value of warrant derivative liability*

During the three months ended September 30, 2016, we recorded non-cash income of \$227,131 for warrant revaluation in our condensed consolidated statements of operations due to a decrease in the fair value of the warrant liability related to warrants issued in our private placement offerings. This decrease in fair value was primarily due to lower volatility in the price of the Company's common stock at September 30, 2016 as compared to the price on June 30, 2016. The components for determining the fair value of the warrants are contained in the table in Note 4 of the accompanying condensed consolidated financial statements.

#### *Change in fair value of conversion option liability*

During the three months ended September 30, 2016, we recorded non-cash income of \$395,997 for conversion option revaluation in our condensed consolidated statements of operations due to a decrease in the fair value of the conversion option liability related to convertible debt. This decrease in fair value was primarily due to lower volatility in the price of the Company's common stock at September 30, 2016 as compared to the price on June 30, 2016 or the date the debt was incurred during the quarter and the shorter time to maturity of the debt. The components for determining the fair value of the conversion option liabilities are contained in the table in Note 4 of the accompanying condensed consolidated financial statements.

#### *Other Expense*

We had minimal other expenses for the three months ended September 30, 2016 and zero for the comparable period in 2015.

### *Net Loss Applicable to Common Shareholders*

During the three months ended September 30, 2016, we recorded a net loss to common shareholders of \$945,207 or \$(0.03) per share, as compared to a net loss to common shareholders of \$656,217 or \$(0.03) per share in the three months ended September 30, 2015. The weighted average common shares outstanding for the period increased because of the issuance of shares of common stock to investor relations firms for services rendered and sales of common stock.

## ***Comparison for the nine months ended September 30, 2016 and 2015***

### *Revenue*

We recognized total revenue of \$1,556,776 for the nine months ended September 30, 2016 as compared to \$1,433,572 during the nine months ended September 30, 2015, an increase of \$123,204 or 9%. This increase is attributable to increases in the sales of our products and services as detailed below.

*Products, Services, Other.* Revenue from the sale of products and services increased 22% for the nine months ended September 30, 2016 as compared to the year-earlier period from \$1,174,391 to \$1,429,487. This increase was primarily attributable to sales of the NEP2320 Enhanced Barocycler and the launch and subsequent sale of the Barocycler 2320EXTREME PCT-based instrument systems. Sales of consumables also increased for the nine months ended September 30, 2016 compared to the year-earlier period, from \$124,687 to \$149,819, an increase of 20%.

*Grant Revenue.* During the nine months ended September 30, 2016, we recorded grant revenue of \$127,289 compared to grant revenue of \$259,181 in the comparable period in 2015. Work on the \$1.05 million NIH grant decreased during the first half of 2016 as we needed to wait for certain significant parts to be manufactured. These parts were received during the second quarter of 2016, which should result in an increase in grant work in future periods.

### *Cost of Products and Services*

The cost of products and services was \$727,698 for the nine months ended September 30, 2016 compared to \$575,780 for the comparable period in 2015. Gross profit margin on products and services was 49% for the nine months ended September 30, 2016, as compared to 51% for the prior period. Cost of products increased concomitant with the increase in product sales recorded for the period.

### *Research and Development*

Research and development expenditures were \$925,015 during the nine months ended September 30, 2016 as compared to \$878,899 in the same period in 2015, an increase of \$46,116 or 5%. This increase resulted primarily from the addition of a Ph.D. level electrical engineer, costs related to the continued development of an enhanced rape kit test based on the PCT Platform, and a rent increase related to the additional R&D space.

Research and development expense recognized in the nine months ended September 30, 2016 and 2015 included \$50,766 and \$41,172 of non-cash, stock-based compensation expense, respectively.

### *Selling and Marketing*

Selling and marketing expenses increased to \$609,501 for the nine months ended September 30, 2016 from \$574,289 for the comparable period in 2015, an increase of \$35,212 or 6%. This increase is primarily attributed to an increase in part-time employee related costs over the summer and holiday periods.

During the nine months ended September 30, 2016 and 2015, selling and marketing expense included \$32,404 and \$27,386 of non-cash, stock-based compensation expense, respectively.

### *General and Administrative*

General and administrative costs totaled \$1,853,010 for the nine months ended September 30, 2016 as compared to \$2,034,040 for the comparable period in 2015. This decrease was due primarily to credits received from charges incurred with a former professional service provider.

During the nine months ended September 30, 2016 and 2015, general and administrative expense included \$199,641 and \$116,812 of non-cash, stock-based compensation expense, respectively.



### *Operating Loss*

Our operating loss was \$2,558,448 for the nine months ended September 30, 2016 as compared to \$2,629,436 for the comparable period in 2015. This decrease was primarily due to credits from a former professional services provider offset by research and development and investor relations activities.

### *Other Income (Expense), Net*

#### *Interest (Expense) Income*

Interest expense was \$2,961,708 for the nine months ended September 30, 2016 as compared to interest expense of \$2,831,106 for the nine months ended September 30, 2015. Interest expense primarily relate to debt discounts from the sale of senior secured convertible debentures and other convertible and non-convertible notes.

#### *Change in fair value of warrant derivative liability*

During the nine months ended September 30, 2016, we recorded non-cash income of \$59,864 for warrant revaluation in our consolidated statements of operations due to an overall decrease in the fair value of the warrant liability related to warrants issued in our private placement offerings. The components for determining the fair value of the warrants are contained in the table in Note 4 of the accompanying condensed consolidated financial statements.

#### *Change in fair value of conversion option liability*

During the nine months ended September 30, 2016, we recorded non-cash charges of \$472,364 for conversion option revaluation in our condensed consolidated statements of operations due to increases in the fair value of the conversion option liability related to convertible debt. We recorded \$1,337,510 as non-cash charge at issuance of these convertible debentures. The components for determining the fair value of the conversion option liabilities are contained in the table in Note 4 of the accompanying condensed consolidated financial statements.

#### *Other Expense*

Other Expense totaled \$1,112 for the nine months ended September 30, 2016 as compared to \$513,352 for the comparable period in 2015. The prior period activity represented revaluations for conversion options.

### *Net Loss Applicable to Common Shareholders*

During the nine months ended September 30, 2016, we recorded a net loss to common shareholders of \$5,933,768 or (\$0.23) per share as compared to a net loss to common shareholders of \$3,451,928 or \$(0.17) per share in the nine months ended September 30, 2015. The weighted average common shares outstanding for the period increased because of the issuance of shares of common stock to investor relations firms for services rendered and conversions of Series K preferred stock into common stock.

### ***Liquidity and Financial Condition***

We have experienced negative cash flows from operations with respect to our pressure cycling technology business since our inception. As of September 30, 2016, we did not have adequate working capital resources to satisfy our current liabilities and as a result, we have substantial doubt regarding our ability to continue as a going concern. We have been successful in raising cash through debt and equity offerings in the past and as described in Note 6 to our unaudited consolidated financial statements for the three and nine months ended September 30, 2016, we completed an over-subscribed \$5 million debt financing on March 21, 2016, raising a total of \$6.3 million between July 2015 and March 2016. We have efforts in place to continue to raise cash through debt and equity offerings.

We will need substantial additional capital to fund our operations in future periods. In the event that we are unable to obtain financing on acceptable terms, or at all, we will likely be required to 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 nine months ended September 30, 2016 was \$2,737,516 as compared to \$2,679,949 for the nine months ended September 30, 2015. The increase in cash used in operations in 2016 is principally due to the interest expense from the senior convertible debentures.

Cash used in investing activities for the nine months ended September 30, 2016 and 2015 was not significant.

Net cash provided by financing activities for the nine months ended September 30, 2016 was \$2,665,945 as compared to \$2,289,538 for the same period in the prior year. The cash from financing activities in the period ending September 30, 2016 included \$2,102,382 from senior secured convertible debt. We also received \$865,150 from non-convertible debt, net of fees, less payment on non-convertible debt of \$781,221. In the prior year we received \$3,991,437 from convertible debt and \$1,300,000 in proceeds from non-convertible debt.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This Item 3 is not applicable to us as a smaller reporting company and has been omitted.

### ITEM 4. 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 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 September 30, 2016, 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 were not effective.

Our conclusion that our disclosure controls and procedures were not effective as of September 30, 2016 is due to the continued presence of the material weaknesses in our internal control over financial reporting identified in our Annual Report on Form 10-K for the year ended December 31, 2015. These material weaknesses are the following:

- We identified a lack of sufficient segregation of duties. Specifically, this material weakness is such that the design over these areas relies primarily on detective controls and could be strengthened by adding preventative controls to properly safeguard Company assets.
- Management has identified a lack of sufficient personnel in the accounting function due to our limited resources with appropriate skills, training and experience to perform the review processes to ensure the complete and proper application of generally accepted accounting principles, particularly as it relates to valuation of warrants and other complex debt /equity transactions. Specifically, this material weakness resulted in audit adjustments to the annual consolidated financial statements and revisions to related disclosures, valuation of warrants and other equity transactions.
- Limited policies and procedures that cover recording and reporting of financial transactions.

We continue to plan to remediate those material weaknesses as follows:

- Improve the effectiveness of the accounting group by augmenting our existing resources with additional consultants or employees to assist in the analysis and recording of complex accounting transactions, and to simultaneously achieve desired organizational structuring for improved segregation of duties. We plan to mitigate this identified deficiency by hiring an independent consultant once we generate significantly more revenue or raise significant additional working capital.
- Improve expert review and achieve desired segregation procedures by strengthening cross approval of various functions including quarterly internal audit procedures where appropriate.

During the period covered by this Report, we implemented and performed additional substantive procedures, such as supervisory review of work papers and consistent use of financial models used in equity valuations, to ensure our condensed consolidated financial statements as of and for the three month and nine month period ended September 30, 2016, are fairly stated in all material respects in accordance with GAAP. We have not, however, been able to fully remediate the material weaknesses due to our limited financial resources. Our remediation efforts are largely dependent upon our securing additional financing to cover the costs of implementing the changes required. If we are unsuccessful in securing such funds, remediation efforts may be adversely affected in a material manner.

Except as described above, there have been no changes in our internal controls over financial reporting that occurred during the period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

We are not currently involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

### Item 1A. Risk Factors

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, 2015. The risks described in our Form 10-K and this Report are not the only risks that we face. Additional risks not presently known to us or that we do not currently consider significant may also have an adverse effect on the Company. If any of the risks actually occur, our business, results of operations, cash flows or financial condition could suffer.

There have been no material changes to the risk factors set forth in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2015.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Please refer to Note 6 to our unaudited condensed consolidated financial statements for the three and nine months ended September 30, 2016, Convertible Debt and Other Debt, for a discussion of the sale of unregistered securities that took place for the quarter ended September 30, 2016.

In addition, on various dates from January to September 2016 the Company issued 755,000 shares of restricted common stock to investor relations firms for services rendered.

On August 29, September 9 and September 14, 2016, we completed three tranches of a private placement (the "Fall 2016 Private Placement"), pursuant to which we sold an aggregate of 1,125,000 shares of common stock, \$0.01 par value (the "Shares"), for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$450,000. The Shares were issued and sold to a total of 2 accredited investors pursuant to a Securities Purchase Agreement entered into as of the date of their investments. The investors received warrants to purchase a total of 1,125,000 shares of the Company's common stock at an exercise price of \$0.50. The warrants expire 5 years after issuance.

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

On October 11 and November 10, 2016, we completed two additional tranches of the Fall 2016 Private Placement, pursuant to which we sold an aggregate of 400,000 shares of common stock, \$0.01 par value (the "Shares"), for a purchase price of \$0.40 per share, resulting in gross proceeds to us of approximately \$160,000. The Shares were issued and sold to a total of 2 accredited investors pursuant to a Securities Purchase Agreement entered into as of the date of their investments. The investors received warrants to purchase a total of 400,000 shares of the Company's common stock at an exercise price of \$0.50. The warrants expire 5 years after issuance.

### Item 3. Defaults upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

## Item 6. Exhibits

### Exhibits

4.1	Common Stock Purchase Warrant
10.1	Securities Purchase Agreement
31.1	Principal Executive Officer and 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.
32.1*	Principal Executive Officer and 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.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* In accordance with SEC Release 33-8238, Exhibits 32.1 and 32.2 are furnished and not filed.

**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: November 14, 2016

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



NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH SHALL BE REASONABLY ACCEPTABLE TO THE COMPANY. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

**COMMON STOCK PURCHASE WARRANT  
PRESSURE BIOSCIENCES, INC.**

**Warrant No.**

Warrant Shares:

Initial Exercise Date:

Issue Date:

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after (the "Initial Exercise Date") and on or prior to the close of business on the five year anniversary of the Initial Exercise Date (the "Termination Date") but not thereafter, to subscribe for and purchase from Pressure BioSciences, Inc., a Massachusetts corporation (the "Company"), up to shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b).

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Subscription Agreement (the "Purchase Agreement"), dated of even date herewith among the Company and the purchaser's signatory thereto.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company (or such other office or agency of the Company as it may designate by notice in writing to the registered Holder at the address of the Holder appearing on the books of the Company) of a duly executed facsimile copy of the Notice of Exercise form annexed hereto and within three (3) Trading Days of the date said Notice of Exercise is delivered to the Company, the Company shall have received payment of the aggregate Exercise Price of the shares thereby purchased by wire transfer or cashier's check drawn on a United States bank or, if available, pursuant to the cashless exercise procedure specified in Section 2(c) below. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise Form within two (2) Business Days of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.**

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b) Exercise Price. The exercise price per share of the Common Stock under this Warrant shall be \$0.50, subject to adjustment hereunder (the “Exercise Price”).

c) Cashless Exercise. This Warrant may be exercised, in whole or in part, by means of a “cashless exercise” in accordance with this Section 2(c), if at any time after the earlier of: (i) the 180 day anniversary of the date of the Purchase Agreement; and (ii) the completion of the then-applicable holding period required by Rule 144, or any successor provision then in effect, there is no effective Registration Statement registering, or no current prospectus available for, the resale of the Warrant Shares by the Holder, then this Warrant may be exercised, in whole or in part, at such time by means of a “cashless exercise.” Pursuant to a cashless exercise, the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by utilizing the formula below. The Company is not required to pay cash if it can only deliver upon settlement of a “cashless exercise”, Warrant Shares that are not registered under the Securities Act. The formula consists of dividing [(A-B) (X)] by (A), where:

(A) = the VWAP on the Trading Day immediately preceding the date on which Holder elects to exercise this Warrant by means of a “cashless exercise,” as set forth in the applicable Notice of Exercise;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. Warrant Shares purchased hereunder shall be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder’s prime broker with The Depository Trust Company through its Deposit or Withdrawal at Custodian system (“DWAC”) if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the shares are eligible for resale by the Holder without the holding period, volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery to the address specified by the Holder in the Notice of Exercise by the date that is three (3) Trading Days after the latest of (A) the delivery to the Company of the Notice of Exercise and (B) surrender of this Warrant (if required) (such date, the “Warrant Share Delivery Date”). The Warrant Shares shall be deemed to have been issued, and Holder or any other person so designated to be named therein shall be deemed to have become a holder of record of such shares for all purposes, as of the date the Warrant has been exercised, with payment to the Company of the Exercise Price (or by cashless exercise, if permitted) and all taxes required to be paid by the Holder, if any, pursuant to Section 2(d)(vi) prior to the issuance of such shares, having been paid.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder’s brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company’s failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.



v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not affect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon: (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates; and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company subject to a limitation on conversion or exercise analogous to the limitation contained herein (including, without limitation, any other Warrants) beneficially owned by the Holder or any of its Affiliates. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation. To ensure compliance with this restriction, the Holder will be deemed to represent to the Company each time it delivers a Notice of Conversion that such Notice of Conversion has not violated the restrictions set forth in this paragraph and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be; (B) a more recent public announcement by the Company; or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant held by the Holder. The Holder, upon not less than 61 days' prior notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company. The Beneficial Ownership Limitation provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation contained herein or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

f) Company Warrant Call. Commencing on a date which is 180 days after the Final Closing, the Company shall have the right, subject to satisfaction of the conditions in this Section 2(f), to cause the exercise of this Warrant (“Forced Exercise”). The Company shall deliver prior written notice to the Holder at least ten (10) business days (“Forced Exercise Notice”) prior to the effective date (the “Forced Exercise Effective Date”) of such Forced Exercise. In order to effectuate a Forced Exercise, the following conditions shall be satisfied as of the Forced Exercise Effective Date: (i) the Company shall have satisfied and be current all of its filing requirements under the Securities and Exchange Act of 1934; (ii) the VWAP of the Common Stock shall equal or exceed 300% of the Purchase Price of the Securities for either 10 consecutive trading days, or 15 of 25 consecutive trading days; (iii) the Warrant Shares may be delivered to the Holder via DWAC; and (iv) all of the Warrants issued pursuant to the Purchase Agreement are called by the Company for a Forced Exercise. The Holder shall have the option to exercise this Warrant, on a Cashless Exercise basis pursuant to Section 2(c) above, during such ten (10) day notice period.

### Section 3. Certain Adjustments.

a) Stock Dividends and Stock Splits. If the Company, at any time while this Warrant is outstanding:

(i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock on shares of Common Stock or any Common Stock Equivalents (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon the exercise of any options or warrants, including the Warrants); (ii) subdivides outstanding shares of Common Stock into a larger number of shares; (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares; or (iv) issues, in the event of a reclassification of shares of the Common Stock, any shares of capital stock of the Company, then the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Company) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [Intentionally Omitted.]

c ) Subsequent Rights Offerings. If the Company, at any time while the Warrant is outstanding, shall issue rights, options or warrants to all holders of Common Stock (and not to the Holder) entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the VWAP on the record date mentioned below, then the Exercise Price shall be multiplied by a fraction, of which the denominator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of additional shares of Common Stock offered for subscription or purchase, and of which the numerator shall be the number of shares of the Common Stock outstanding on the date of issuance of such rights, options or warrants plus the number of shares which the aggregate offering price of the total number of shares so offered (assuming receipt by the Company in full of all consideration payable upon exercise of such rights, options or warrants) would purchase at such VWAP. Such adjustment shall be made whenever such rights, options or warrants are issued, and shall become effective immediately after the record date for the determination of stockholders entitled to receive such rights, options or warrants.

d ) Pro Rata Distributions. If the Company, at any time while this Warrant is outstanding, shall distribute to all holders of Common Stock (and not to the Holder) evidences of its indebtedness or assets (including cash and cash dividends) or rights or warrants to subscribe for or purchase any security other than the Common, then in each such case the Exercise Price shall be adjusted by multiplying the Exercise Price in effect immediately prior to the record date fixed for determination of stockholders entitled to receive such distribution by a fraction of which the denominator shall be the VWAP determined as of the record date mentioned above, and of which the numerator shall be such VWAP on such record date less the then per share fair market value at such record date of the portion of such assets or evidence of indebtedness or rights or warrants so distributed applicable to one outstanding share of the Common Stock as determined by the Board of Directors in good faith. In either case the adjustments shall be described in a statement provided to the Holder of the portion of assets or evidences of indebtedness so distributed or such subscription rights applicable to one share of Common Stock. Such adjustment shall be made whenever any such distribution is made and shall become effective immediately after the record date mentioned above.

e) Fundamental Transaction. If, at any time while this Warrant is outstanding: (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person; (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions; (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of more than 50% of the outstanding Common Stock; (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property; or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) or Section 2(f) on the exercise of this Warrant). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one (1) share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the holders of a majority of the Warrants prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the shares of Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and with an exercise price which applies the exercise price hereunder to such shares of capital stock (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such shares of capital stock, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Company) issued and outstanding.

g) Notice to Holder.

- i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to each Holder a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.
- ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be filed at each office or agency maintained for the purpose of exercise of this Warrant, and shall cause to be delivered to the Holder at its last address as it shall appear upon the Warrant Register of the Company, at least ten (10) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided hereunder constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

#### Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date the Holder delivers an assignment form to the Company assigning this Warrant full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions; Registration Rights. At the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall be either: (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or exempt therefrom; or (ii) eligible for resale without holding period, volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144. The Holder and any permitted transfer shall be entitled to the registration rights with respect to the resale of the Warrant Shares as described under the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

#### Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

(i) The Company covenants that on and after March 31, 2017 until such time as the Warrant is no longer outstanding, it will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(ii) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will: (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value; (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant; and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

(iii) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e ) Jurisdiction. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with the provisions of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies, notwithstanding the fact that all rights hereunder terminate on the Termination Date. If the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h ) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

o) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflict of laws thereof. Each party agrees that all legal proceedings concerning the interpretation, enforcement and defense of the transactions contemplated by any of the Transaction Documents (whether brought against a party hereto or its respective Affiliates, directors, officers, shareholders, employees or agents) shall be commenced in the state and federal courts sitting in the City of New York, Borough of Manhattan (the "New York Courts"). The Holder and the Company each hereby irrevocably submits to the exclusive jurisdiction of the New York Courts for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of such New York Courts, or such New York Courts are improper or inconvenient venue for such proceeding. The Holder and the Company each hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by applicable law. The Holder and the Company each hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Warrant or the transactions contemplated hereby. If any party shall commence an action or proceeding to enforce any provisions of this Warrant, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorneys' fees and other costs and expenses incurred in the investigation, preparation and prosecution of such action or proceeding.

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*(Signature Page Follows)*

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

PRESSURE BIOSCIENCES, INC.

By: \_\_\_\_\_  
Name: Richard T. Schumacher  
Title: President & CEO



**NOTICE OF EXERCISE**

TO: PRESSURE BIOSCIENCES, INC.

(1) The undersigned hereby elects to purchase \_\_\_\_\_ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):  in lawful money of the United States; or

[if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number:

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity: \_\_\_\_\_

*Signature of Authorized Signatory of Investing Entity:* \_\_\_\_\_

Name of Authorized Signatory: \_\_\_\_\_

Title of Authorized Signatory: \_\_\_\_\_

Date: \_\_\_\_\_

**ASSIGNMENT FORM**

*(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)*

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: \_\_\_\_\_  
(Please Print)

Address: \_\_\_\_\_  
(Please Print)

Dated: \_\_\_\_\_

Holder's Signature: \_\_\_\_\_

Holder's Address: \_\_\_\_\_



## SECURITIES PURCHASE AGREEMENT

This **SECURITIES PURCHASE AGREEMENT** (the “**Agreement**”), dated as of the date listed on the signature pages hereto, is by and among Pressure Biosciences, Inc., a Massachusetts corporation with offices located at 14 Norfolk Avenue, South Easton, Massachusetts 02375 (the “**Company**”), and the investors listed on the Schedule of Purchasers attached hereto (individually, a “**Purchaser**” and collectively, the “**Purchasers**”).

**RECITALS**

A. The Company and each Purchaser is executing and delivering this Agreement in reliance upon the exemption from securities registration afforded by Section 4(2) of the Securities Act of 1933, as amended (the “**1933 Act**”), pursuant to Regulation D (“**Regulation D**”) or Regulation S (“**Regulation S**”) as promulgated by the United States Securities and Exchange Commission (the “**SEC**”) under the 1933 Act.

B. Each Purchaser wishes to purchase, and the Company wishes to sell, upon the terms and conditions stated in this Agreement, the aggregate number of units (each a “**Unit**” or collectively, the “**Units**”) as set forth opposite such Purchaser’s name in column (3) on the Schedule of Purchasers, with each Unit consisting of: (i) one (1) share of common stock, par value \$0.01 (the “**Common Stock**”), of the Company (the “**Common Shares**”), with each such Common Share bearing a restrictive legend, and (ii) a warrant to purchase one (1) share of Common Stock, in the form attached hereto as **Exhibit A** (the “**Warrants**”) (as exercised, collectively, the “**Warrant Shares**”).

C. The Common Shares, the Warrants and the Warrant Shares are collectively referred to herein as the “**Securities**.” The Units shall be delivered in the form of one certificate for restricted shares of Common Stock representing the aggregate number of Common Shares purchased and one warrant, with a restrictive legend, representing the aggregate number of Warrant Shares purchased.

D. Capitalized terms used but not defined in this Agreement shall have the meanings set forth in that certain Confidential Private Placement Memorandum dated July 15, 2016 (the “**Memorandum**”).

**AGREEMENT**

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each Purchaser hereby agree as follows:

**1. PURCHASE AND SALE OF COMMON SHARES AND WARRANTS.**

( a ) Common Shares and Warrants . Subject to the satisfaction (or waiver) of the conditions set forth in a Subscription Agreement and Investor Questionnaire, the Company shall issue and sell to each Purchaser, and each Purchaser shall purchase from the Company, on a Tranche Closing Date, such aggregate number of Units as is set forth opposite such Purchaser’s name in column (3) on the Schedule of Purchasers.

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(b) Purchase Price. The aggregate purchase price for the Units to be purchased by each Purchaser (the “**Purchase Price**”) shall be the amount set forth opposite such Purchaser’s name in column (6) on the Schedule of Purchasers.

(c) Form of Payment. On a Tranche Closing Date, (i) each Purchaser shall pay its respective Purchase Price to the Company for the Units to be issued and sold to such Purchaser on such Tranche Closing Date, by wire transfer of immediately available funds in accordance with the Company’s written wire instructions contained in the Subscription Agreement and Investor Questionnaire and (ii) the Company shall deliver to each Purchaser (A) one certificate representing the aggregate number of Common Shares as is set forth opposite such Purchaser’s name in column (4) of the Schedule of Purchasers, (B) one Warrant pursuant to which such Purchaser shall have the right to initially acquire up to such number of the Warrant Shares as is set forth opposite such Purchaser’s name in column (5) of the Schedule of Purchasers, in all cases, duly executed on behalf of the Company and registered in the name of such Purchaser or its designee.

## 2. PURCHASER’S REPRESENTATIONS AND WARRANTIES.

Each Purchaser, severally and not jointly, represents and warrants to the Company with respect to only itself that, as of the date hereof and as of the Tranche Closing Date:

(a) Organization; Authority. Such Purchaser, if an entity, is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization with the requisite power and authority to enter into and to consummate the transactions contemplated by this Agreement, the Subscription Agreement and Investor Questionnaire, and Warrant and each of the other agreements and instruments entered into or delivered by any of the parties hereto in connection with the transactions contemplated hereby and thereby, as may be amended from time to time (collectively, the “**Transaction Documents**”) to which it is a party and otherwise to carry out its obligations hereunder and thereunder.

( b ) No Public Sale or Distribution. Such Purchaser is (i) acquiring its Common Shares and Warrants, and (ii) upon exercise of its Warrants will acquire the Warrant Shares issuable upon exercise thereof, in each case, for its own account and not with a view towards, or for resale in connection with, the public sale or distribution thereof in violation of applicable securities laws, except pursuant to sales registered or exempted under the 1933 Act; provided, however, by making the representations herein, such Purchaser does not agree, or make any representation or warranty, to hold any of the Securities for any minimum or other specific term and reserves the right to dispose of the Securities at any time in accordance with or pursuant to a registration statement or an exemption under the 1933 Act. Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business. Such Purchaser does not presently have any agreement or understanding, directly or indirectly, with any entity or individual (each such entity or individual, a “**Person**”) to distribute any of the Securities in violation of applicable securities laws.

(c) Investor Status. Such Purchaser is an “accredited investor” as that term is defined in Rule 501(a) of Regulation D, or not a U.S. Person as that term is defined in Regulation S, or if such person is not an accredited investor, a sophisticated investor who:

- (i) represents that such investor is acquiring the Securities for such investor's own account, for investment only not with a view to the resale or distribution thereof;
- (ii) acknowledges that the right to transfer the Securities will be restricted by the Securities Act, applicable state securities laws and certain contractual restrictions, and that the investor's ability to do so will be restricted by the absence of a market for the Securities;
- (iii) represents that such investor has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment; and
- (iv) represents that such investor qualifies as one or more of the following:
  - (1) has an investment of \$250,000 or more in shares;
  - (2) has personal income before taxes for his or her last fiscal year or latest 12-month period of at least \$300,000;
  - (3) is capable of bearing the economic risk of his or her investment and has a net worth (exclusive of home, home furnishings, personal automobiles and the amount to be invested in these shares) of at least five (5) times the total purchase price of the shares subscribed for by the investor.

( d ) Reliance on Exemptions. Such Purchaser understands that the Securities are being offered and sold to it in reliance on specific exemptions from the registration requirements of United States federal and state securities laws and that the Company is relying in part upon the truth and accuracy of, and such Purchaser's compliance with, the representations, warranties, agreements, acknowledgments and understandings of such Purchaser set forth herein in order to determine the availability of such exemptions and the eligibility of such Purchaser to acquire the Securities.

( e ) Information. Such Purchaser and its advisors, if any, have been furnished with all materials relating to the business, finances and operations of the Company and materials relating to the offer and sale of the Securities which have been requested by such Purchaser. Such Purchaser and its advisors, if any, have been afforded the opportunity to ask questions of the Company. Such Purchaser understands that its investment in the Securities involves a high degree of risk. Such Purchaser has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision with respect to its acquisition of the Securities.

( f ) No Governmental Review. Such Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

( g ) Transfer or Resale. Such Purchaser understands that: (i) the Securities have not been and are not being registered under the 1933 Act or any state securities laws, and may not be offered for sale, sold, assigned or transferred unless (A) subsequently registered thereunder, (B) such Purchaser shall have delivered to the Company (if requested by the Company) an opinion of counsel to such Purchaser, in a form reasonably acceptable to the Company, to the effect that such Securities to be sold, assigned or transferred may be sold, assigned or transferred pursuant to an exemption from such registration, or (C) such Purchaser provides the Company with reasonable assurance that such Securities can be sold, assigned or transferred pursuant to Rule 144 or Rule 144A promulgated under the 1933 Act (or a successor rule thereto) (collectively, “**Rule 144**”); (ii) any sale of the Securities made in reliance on Rule 144 may be made only in accordance with the terms of Rule 144, and further, if Rule 144 is not applicable, any resale of the Securities under circumstances in which the seller (or the Person through whom the sale is made) may be deemed to be an underwriter (as that term is defined in the 1933 Act) may require compliance with some other exemption under the 1933 Act or the rules and regulations of the SEC promulgated thereunder; and (iii) neither the Company nor any other Person is under any obligation to register the Securities under the 1933 Act or any state securities laws or to comply with the terms and conditions of any exemption thereunder.

( h ) Validity; Enforcement. This Agreement has been duly and validly authorized, executed and delivered on behalf of such Purchaser and constitute the legal, valid and binding obligations of such Purchaser enforceable against such Purchaser in accordance with their respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws relating to, or affecting generally, the enforcement of applicable creditors’ rights and remedies.

( i ) No Conflicts. The execution, delivery and performance by such Purchaser of this Agreement and the consummation by such Purchaser of the transactions contemplated hereby and thereby will not (i) result in a violation of the organizational documents of such Purchaser, (ii) conflict with, or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination, amendment, acceleration or cancellation of, any agreement, indenture or instrument to which such Purchaser is a party, or (iii) result in a violation of any law, rule, regulation, order, judgment or decree (including federal and state securities laws) applicable to such Purchaser, except in the case of clauses (ii) and (iii) above, for such conflicts, defaults, rights or violations which would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of such Purchaser to perform its obligations hereunder.

( j ) Residency. Such Purchaser is a resident of the jurisdiction specified below its address on the Schedule of Purchasers.

( k ) Certain Trading Activities. Such Purchaser has not directly or indirectly, nor has any person acting on behalf of or pursuant to any understanding with such Purchaser, engaged in any transactions in the securities of the Company (including, without limitation, Short Sales involving the Company’s securities) since the time that such Purchaser was first contacted by the Company or the Placement Agent regarding the investment in the Company contemplated herein. “**Short Sales**” include, without limitation, all “short sales” as defined in Rule 200 promulgated under Regulation SHO under the 1934 Act (“**Regulation SHO**”) and all types of direct and indirect stock pledges, forward sales contracts, options, puts, calls, swaps and similar arrangements (including on a total return basis), and sales and other transactions through non-U.S. broker dealers or foreign regulated brokers (but shall not be deemed to include the location and/or reservation of borrowable shares of Common Stock).

### 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each of the Purchasers that, as of the date hereof and as of the Tranche Closing Date:

( a ) Organization and Qualification. Each of the Company and its Subsidiary are entities duly organized and validly existing and in good standing under the laws of the jurisdiction in which they are formed, and have the requisite power and authorization to own their properties and to carry on their business as now being conducted and as presently proposed to be conducted. Each of the Company and each of its Subsidiaries is duly qualified as a foreign entity to do business and is in good standing in every jurisdiction in which its ownership of property or the nature of the business conducted by it makes such qualification necessary, except to the extent that the failure to be so qualified or be in good standing would not have a Material Adverse Effect. As used in this Agreement, “**Material Adverse Effect**” means any material adverse effect on (i) the business, properties, assets, liabilities, operations (including results thereof), condition (financial or otherwise) or prospects of the Company or any Subsidiary, individually or taken as a whole, (ii) the transactions contemplated hereby or in any of the other Transaction Documents or (iii) the authority or ability of the Company or any of its Subsidiaries to perform any of their respective obligations under any of the Transaction Documents. Other than the Persons set forth on Schedule 3(a), the Company has no Subsidiaries. “**Subsidiaries**” means any Person in which the Company, directly or indirectly, (I) owns any of the outstanding capital stock or holds any equity or similar interest of such Person or (II) controls or operates all or any part of the business, operations or administration of such Person, and each of the foregoing, is individually referred to herein as a “**Subsidiary.**”

( b ) Authorization; Enforcement; Validity. The Company has the requisite power and authority to enter into and perform its obligations under this Agreement and the other Transaction Documents and to issue the Securities in accordance with the terms hereof and thereof. The execution and delivery of this Agreement and the other Transaction Documents by the Company, and the consummation by the Company of the transactions contemplated hereby and thereby (including, without limitation, the issuance of the Common Shares and the issuance of the Warrants and the reservation for issuance and issuance of the Warrant Shares issuable upon exercise of the Warrants) have been duly authorized by the Company’s board of directors or other governing body and no further filing, consent or authorization is required by the Company, its board of directors or its stockholders or other governing body. This Agreement has been, and the other Transaction Documents will be prior to the Tranche Closing Date, duly executed and delivered by the Company or its agent, and each constitutes the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with its respective terms, except as such enforceability may be limited by general principles of equity or applicable bankruptcy, insolvency, reorganization, moratorium, liquidation or similar laws relating to, or affecting generally, the enforcement of applicable creditors’ rights and remedies and except as rights to indemnification and to contribution may be limited by federal or state securities law.

( c ) Issuance of Securities. The Common Shares, when issued, will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Common Stock. The Warrants are duly authorized and upon issuance in accordance with the terms of the Transaction Documents shall be validly issued, fully paid and non-assessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof. Upon exercise in accordance with the Warrants, the Warrant Shares, when issued, will be validly issued, fully paid and nonassessable and free from all preemptive or similar rights, taxes, liens, charges and other encumbrances with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of Common Stock. Subject to the accuracy of the representations and warranties of the Purchasers in this Agreement, the offer and issuance by the Company of the Securities is exempt from registration under the 1933 Act.

( d ) Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that to its actual knowledge each Purchaser is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated hereby and thereby. The Company further represents to each Purchaser that the Company's decision to enter into the Transaction Documents to which it is a party has been based solely on the independent evaluation by the Company and its representatives.

( e ) Dilutive Effect. The Company understands and acknowledges that the number of Warrant Shares will increase in certain circumstances. The Company further acknowledges that its obligation to issue the Warrant Shares upon exercise of the Warrants in accordance with this Agreement and the Warrants is, absolute and unconditional regardless of the dilutive effect that such issuance may have on the ownership interests of other stockholders of the Company.

( f ) Conduct of Business; Regulatory Permits. Neither the Company nor any of its Subsidiaries is in violation of any term of or in default under its Certificate of Incorporation, Bylaws, any certificate of designation, preferences or rights of any other outstanding series of preferred stock of the Company or any of its Subsidiaries or their organizational charter, certificate of formation or certificate of incorporation or bylaws, respectively. Neither the Company nor any of its Subsidiaries is in violation of any judgment, decree or order or any statute, ordinance, rule or regulation applicable to the Company or any of its Subsidiaries.

( g ) Investment Company Status. The Company is not, and upon consummation of the sale of the Securities will not be, an "investment company," an affiliate of an "investment company," a company controlled by an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company" as such terms are defined in the Investment Company Act of 1940, as amended.



( h ) Disclosure. The Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that constitutes or could reasonably be expected to constitute material, non-public information concerning the Company or any of its Subsidiaries, other than the existence of the transactions contemplated by this Agreement, the other Transaction Documents, and the Memorandum. The Company understands and confirms that each of the Purchasers will rely on the foregoing representations in effecting transactions in securities of the Company. All disclosure provided to the Purchasers regarding the Company and its Subsidiaries, their businesses and the transactions contemplated hereby, including the schedules to this Agreement, furnished by or on behalf of the Company, the Placement Agent or the Company's Subsidiaries is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. No event or circumstance has occurred or information exists with respect to the Company or any of its Subsidiaries or its or their business, properties, liabilities, prospects, operations (including results thereof) or conditions (financial or otherwise), which, under applicable law, rule or regulation, requires public disclosure at or before the date hereof or announcement by the Company but which has not been so publicly disclosed. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 2.

#### 4. COVENANTS.

( a ) Form D and Blue Sky. The Company shall file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof to each Purchaser promptly after such filing. The Company shall, on or before the Tranche Closing Date, take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to, qualify the Securities for sale to the Purchasers on the Tranche Closing Date pursuant to this Agreement under applicable securities or "Blue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Purchasers on or prior to the Tranche Closing Date. Without limiting any other obligation of the Company under this Agreement, the Company shall timely make all filings and reports relating to the offer and sale of the Securities required under all applicable securities laws (including, without limitation, all applicable federal securities laws and all applicable "Blue Sky" laws), and the Company shall comply with all applicable federal, state and local laws, statutes, rules, regulations and the like relating to the offering and sale of the Securities to the Purchasers.

( b ) Use of Proceeds. The Company will use the proceeds from the sale of the Securities for general corporate purposes, but not, directly or indirectly, for (i) the satisfaction of any indebtedness of the Company or any of its Subsidiaries, other than for trade payables incurred in the normal course of business; and (ii) the redemption or repurchase of any securities of the Company or any of its Subsidiaries.

( c ) Reservation of Shares(i) . On and after March 31, 2017 until such time as the Warrant is no longer outstanding, the Company will reserve from its authorized and unissued Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant.

**5. TRANSFER AGENT INSTRUCTIONS; LEGEND.**

( a ) Transfer Agent Instructions. The Company shall issue irrevocable instructions to its transfer agent and any subsequent transfer agent in a form acceptable to each of the Purchasers (the “**Irrevocable Transfer Agent Instructions**”) to issue certificates, registered in the name of each Purchaser or its respective nominee(s), for the Warrant Shares in such amounts as specified from time to time by each Purchaser to the Company upon the exercise of the Warrants (as the case may be). The Company represents and warrants that no instruction other than the Irrevocable Transfer Agent Instructions referred to in this Section 5(a), and stop transfer instructions to give effect to Section 2(g) hereof, will be given by the Company to its transfer agent with respect to the Securities, and that the Securities shall otherwise be freely transferable on the books and records of the Company, as applicable, to the extent provided in this Agreement and the other Transaction Documents. If a Purchaser effects a sale, assignment or transfer of the Securities in accordance with Section 2(g), the Company shall permit the transfer and shall promptly instruct its transfer agent to issue one or more certificates in such name and in such denominations as specified by such Purchaser to effect such sale, transfer or assignment. In the event that such sale, assignment or transfer involves Warrant Shares sold, assigned or transferred pursuant to an effective registration statement or in compliance with Rule 144 (assuming the transferor is not an affiliate of the Company), the transfer agent shall issue such shares to such Purchaser, assignee or transferee (as the case may be) without any restrictive legend in accordance with Section 5(c) below. The Company acknowledges that a breach by it of its obligations hereunder will cause irreparable harm to a Purchaser. Accordingly, the Company acknowledges that the remedy at law for a breach of its obligations under this Section 5(a) will be inadequate and agrees, in the event of a breach or threatened breach by the Company of the provisions of this Section 5(a), that a Purchaser shall be entitled, in addition to all other available remedies, to seek an order and/or injunction restraining any breach and requiring immediate issuance and transfer, without the necessity of showing economic loss and without any bond or other security being required.

( b ) Legends. Each Purchaser understands that the Securities have been issued (or will be issued in the case of the Warrant Shares) pursuant to an exemption from registration or qualification under the 1933 Act and applicable state securities laws, and except as set forth below, the Securities shall bear any legend as required by the “blue sky” laws of any state and a restrictive legend in substantially the following form (and a stop-transfer order may be placed against transfer of such stock certificates):

[NEITHER THE ISSUANCE AND SALE OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE NOR THE SECURITIES INTO WHICH THESE SECURITIES ARE [EXERCISABLE] HAVE BEEN][THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN] REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THE SECURITIES MAY NOT BE OFFERED FOR SALE, SOLD, TRANSFERRED OR ASSIGNED (I) IN THE ABSENCE OF (A) AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR (B) AN OPINION OF COUNSEL TO THE HOLDER (IF REQUESTED BY THE COMPANY), IN A FORM REASONABLY ACCEPTABLE TO THE COMPANY, THAT REGISTRATION IS NOT REQUIRED UNDER SAID ACT OR (II) UNLESS SOLD OR ELIGIBLE TO BE SOLD PURSUANT TO RULE 144 OR RULE 144A UNDER SAID ACT. NOTWITHSTANDING THE FOREGOING, THE SECURITIES MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN OR FINANCING ARRANGEMENT SECURED BY THE SECURITIES.

(c) Removal of Legends. Certificates evidencing Securities shall not be required to contain the legend set forth in Section 5(b) above or any other legend (i) while a registration statement (including a Registration Statement) covering the resale of such Securities is effective under the 1933 Act, (ii) following any sale of such Securities pursuant to Rule 144 (assuming the transferor is not an affiliate of the Company), (iii) if such Securities are eligible to be sold, assigned or transferred under Rule 144 (provided that a Purchaser provides the Company with reasonable assurances that such Securities are eligible for sale, assignment or transfer under Rule 144 which shall not include an opinion of counsel), (iv) in connection with a sale, assignment or other transfer (other than under Rule 144), provided that such Purchaser provides the Company with an opinion of counsel to such Purchaser, in a generally acceptable form, to the effect that such sale, assignment or transfer of the Securities may be made without registration under the applicable requirements of the 1933 Act or (v) if such legend is not required under applicable requirements of the 1933 Act (including, without limitation, controlling judicial interpretations and pronouncements issued by the SEC). If a legend is not required pursuant to the foregoing, the Company shall no later than two (2) Trading Days following the delivery by a Purchaser to the Company or the transfer agent (with notice to the Company) of a legended certificate representing such Securities (endorsed or with stock powers attached, signatures guaranteed, and otherwise in form necessary to affect the reissuance and/or transfer, if applicable), together with any other deliveries from such Purchaser as may be required above in this Section 5(c), as directed by such Purchaser, either: (A) provided that the Company's transfer agent is participating in the DTC Fast Automated Securities Transfer Program and such Securities are Common Shares or Warrant Shares, credit the aggregate number of shares of Common Stock to which such Purchaser shall be entitled to such Purchaser's or its designee's balance account with DTC through its Deposit/Withdrawal at Custodian system or (B) if the Company's transfer agent is not participating in the DTC Fast Automated Securities Transfer Program, issue and deliver (via reputable overnight courier) to such Purchaser, a certificate representing such Securities that is free from all restrictive and other legends, registered in the name of such Purchaser or its designee (the date by which such credit is so required to be made to the balance account of such Purchaser's or such Purchaser's nominee with DTC or such certificate is required to be delivered to such Purchaser pursuant to the foregoing is referred to herein as the "**Required Delivery Date**"). The Company shall be responsible for any transfer agent fees or DTC fees with respect to any issuance of Securities or the removal of any legends with respect to any Securities in accordance herewith.

6. MISCELLANEOUS.

( a ) Governing Law; Jurisdiction; Jury Trial. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in The City of New York, for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is brought in an inconvenient forum or that the venue of such suit, action or proceeding is improper. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof to such party at the address for such notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER OR IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR ANY TRANSACTION CONTEMPLATED HEREBY.

( b ) Counterparts. This Agreement may be executed in two or more identical counterparts, all of which shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party. In the event that any signature is delivered by facsimile transmission or by an e-mail which contains a portable document format (.pdf) file of an executed signature page, such signature page shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such signature page were an original thereof.

( c ) Headings; Gender. The headings of this Agreement are for convenience of reference and shall not form part of, or affect the interpretation of, this Agreement. Unless the context clearly indicates otherwise, each pronoun herein shall be deemed to include the masculine, feminine, neuter, singular and plural forms thereof. The terms “including,” “includes,” “include” and words of like import shall be construed broadly as if followed by the words “without limitation.” The terms “herein,” “hereunder,” “hereof” and words of like import refer to this entire Agreement instead of just the provision in which they are found.

( d ) Severability. If any provision of this Agreement is prohibited by law or otherwise determined to be invalid or unenforceable by a court of competent jurisdiction, the provision that would otherwise be prohibited, invalid or unenforceable shall be deemed amended to apply to the broadest extent that it would be valid and enforceable, and the invalidity or unenforceability of such provision shall not affect the validity of the remaining provisions of this Agreement so long as this Agreement as so modified continues to express, without material change, the original intentions of the parties as to the subject matter hereof and the prohibited nature, invalidity or unenforceability of the provision(s) in question does not substantially impair the respective expectations or reciprocal obligations of the parties or the practical realization of the benefits that would otherwise be conferred upon the parties. The parties will endeavor in good faith negotiations to replace the prohibited, invalid or unenforceable provision(s) with a valid provision(s), the effect of which comes as close as possible to that of the prohibited, invalid or unenforceable provision(s).

( e ) Entire Agreement; Amendments. This Agreement, the other Transaction Documents and the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein supersede all other prior oral or written agreements between the Purchasers, the Company, its Subsidiaries, their affiliates and Persons acting on their behalf solely with respect to the matters contained herein and therein, and this Agreement, the other Transaction Documents, the schedules and exhibits attached hereto and thereto and the instruments referenced herein and therein contain the entire understanding of the parties solely with respect to the matters covered herein and therein.

( f ) Notices. Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile (provided confirmation of transmission is mechanically or electronically generated and kept on file by the sending party); or (iii) one (1) Business Day after deposit with an overnight courier service with next day delivery specified, in each case, properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Pressure BioSciences, Inc.  
14 Norfolk Avenue  
South Easton, Massachusetts 02375  
Telephone: (508) 230-1828  
Attention: Chief Executive Officer

If to the Placement Agent:

Garden State Securities, Inc.  
328 Newman Springs Rd.  
3rd Floor  
Red Bank, NJ 07701  
Telephone: (732) 212-1029

If to a Purchaser, to its address and facsimile number set forth on the Schedule of Purchasers, with copies to such Purchaser's representatives as set forth on the Schedule of Purchasers, or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change. Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission or (C) provided by an overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from an overnight courier service in accordance with clause (i), (ii) or (iii) above, respectively.

( g ) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns, including any purchasers of any of the Securities. The Company shall not assign this Agreement or any rights or obligations hereunder without the prior written consent of the Purchasers, including, without limitation, by way of a Fundamental Transaction (as defined in the Warrants) (unless the Company is in compliance with the applicable provisions governing Fundamental Transactions set forth in the Warrants). A Purchaser may assign some or all of its rights hereunder in connection with any transfer of any of its Securities without the consent of the Company, in which event such assignee shall be deemed to be a Purchaser hereunder with respect to such assigned rights.

( h ) No Third Party Beneficiaries. This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

( i ) Survival. The representations, warranties, agreements and covenants shall survive the Tranche Closing Date. Each Purchaser shall be responsible only for its own representations, warranties, agreements and covenants hereunder.

( j ) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

( k ) Construction. The language used in this Agreement will be deemed to be the language chosen by the parties to express their mutual intent, and no rules of strict construction will be applied against any party. No specific representation or warranty shall limit the generality or applicability of a more general representation or warranty. Each and every reference to share prices, shares of Common Stock and any other numbers in this Agreement that relate to the Common Stock shall be automatically adjusted for stock splits, stock combinations and other similar transactions that occur with respect to the Common Stock after the date of this Agreement.

( l ) Remedies. Each Purchaser and each holder of any Securities shall have all rights and remedies set forth in the Transaction Documents and all rights and remedies which such holders have been granted at any time under any other agreement or contract and all of the rights which such holders have under any law. Any Person having any rights under any provision of this Agreement shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by law. Furthermore, the Company recognizes that in the event that it or any Subsidiary fails to perform, observe, or discharge any or all of its or such Subsidiary's (as the case may be) obligations under the Transaction Documents, any remedy at law may prove to be inadequate relief to the Purchasers. The Company therefore agrees that the Purchasers shall be entitled to seek specific performance and/or temporary, preliminary and permanent injunctive or other equitable relief from any court of competent jurisdiction in any such case without the necessity of proving actual damages and without posting a bond or other security.

(m) Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) the Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company or any Subsidiary does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company or such Subsidiary (as the case may be), any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights

( p ) Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under the Transaction Documents are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as, and the Company acknowledges that the Purchasers do not so constitute, a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Purchasers are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by the Transaction Documents or any matters, and the Company acknowledges that the Purchasers are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or the transactions contemplated by the Transaction Documents. The decision of each Purchaser to purchase Securities pursuant to the Transaction Documents has been made by such Purchaser independently of any other Purchaser. Each Purchaser acknowledges that no other Purchaser has acted as agent for such Purchaser in connection with such Purchaser making its investment hereunder and that no other Purchaser will be acting as agent of such Purchaser in connection with monitoring such Purchaser's investment in the Securities or enforcing its rights under the Transaction Documents. The Company and each Purchaser confirms that each Purchaser has independently participated with the Company and its Subsidiaries in the negotiation of the transaction contemplated hereby with the advice of its own counsel and advisors. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of any other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any proceeding for such purpose. The use of a single agreement to effectuate the purchase and sale of the Securities contemplated hereby was solely in the control of the Company, not the action or decision of any Purchaser, and was done solely for the convenience of the Company and its Subsidiaries and not because it was required or requested to do so by any Purchaser. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company, each Subsidiary and a Purchaser, solely, and not between the Company, its Subsidiaries and the Purchasers collectively and not between and among the Purchasers.

*[signature pages follow]*

**IN WITNESS WHEREOF**, each Purchaser and the Company have caused their respective signature page to this Agreement to be duly executed as of as of \_\_\_\_\_, 2016.

**COMPANY:**

**PRESSURE BIOSCIENCES, INC.**

By: \_\_\_\_\_

Name: Richard T. Schumacher

Title: President and CEO



**IN WITNESS WHEREOF**, each Purchaser and the Company have caused their respective signature page to this Agreement to be duly executed as of \_\_\_\_\_, 2016.

**BUYER:**

\_\_\_\_\_

By:

Name: \_\_\_\_\_

Title:

**Schedule of Purchasers**

(1) Buyer	(2) Address and Facsimile Number	(3) Number of Units	(4) Number of Common Shares	(5) Number of Warrant Shares	(6) Purchase Price	(7) Legal Representative's Address and Facsimile Number



**CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard T. Schumacher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Pressure BioSciences, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2016

*/s/ Richard T. Schumacher*

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Richard T. Schumacher  
President & Chief Executive Officer  
(Principal Executive Officer and Principal Financial Officer)

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**Certification**  
**Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)**

In connection with the Quarterly Report on Form 10-Q of Pressure BioSciences, Inc., a Massachusetts corporation (the "Company") for the period ended September 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard T. Schumacher, President and Chief Executive Officer of the Company, do hereby certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) that:

- (1) The Report of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2016

By: /s/ Richard T. Schumacher

Richard T. Schumacher  
President & Chief Executive Officer  
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Pressure BioSciences, Inc. and will be retained by Pressure BioSciences, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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