

PRESSURE BIOSCIENCES INC
Form PRE 14A
July 22, 2008

Pressure BioSciences, Inc.
14 Norfolk Avenue
South Easton, MA 02375
(508) 230-1828 (T)
(508) 230-1829 (F)
www.pressurebiosciences.com

August 11, 2008

Dear Stockholder:

You are cordially invited to attend the Special Meeting in Lieu of the Annual Meeting of Stockholders (the "Meeting") of Pressure BioSciences, Inc. (the "Company") to be held on September 12, 2008 at 4:00 p.m. at the Company's principal executive offices located at 14 Norfolk Avenue, South Easton, MA 02375.

Detailed information about the Meeting and the proposals to be acted upon is included in the accompanying notice of meeting and proxy statement.

Whether or not you plan to attend the Meeting, please take the time to vote by completing and returning the enclosed proxy card. If you plan to attend the Meeting in person, please remember to bring a form of personal identification with you and, if you are acting as a proxy for another stockholder, please bring written confirmation from the record owner that you are acting as a proxy.

Sincerely,

R. Wayne Fritzsche

Chairman of the Board of Directors

PRESSURE BIOSCIENCES, INC.

**NOTICE OF SPECIAL MEETING
IN LIEU OF THE ANNUAL MEETING OF STOCKHOLDERS
*To be Held on September 12, 2008***

NOTICE is hereby given that a Special Meeting in Lieu of the Annual Meeting of Stockholders (the "Meeting") of Pressure BioSciences, Inc. ("PBI" or the "Company") will be held on September 12, 2008, at 4:00 p.m. at the Company's principal executive offices located at 14 Norfolk Avenue, South Easton, MA 02375, for the following purposes, as more fully described in the proxy statement accompanying this notice:

1. To elect one Class III Director to hold office until the 2011 Annual Meeting of Stockholders and until his successor is duly elected and qualified.
2. To consider and vote upon a proposal to amend the Company's 2005 Equity Incentive Plan to increase the number of shares of common stock available for issuance under the plan from 1,000,000 to 1,500,000.
3. To consider and vote upon a proposal to authorize the Company to issue, in connection with one or more capital raising transactions to finance the Company, up to 4,500,000 shares of common stock (including pursuant to preferred stock, options, warrants, convertible debt or other securities exercisable for or convertible into common stock), upon such terms as the Board of Directors shall deem to be in the best interests of the Company, for an aggregate consideration of not more than \$18,000,000 and at an effective price not less than 80% of the market price of PBI's common stock at the time of issuance, such issuance or issuances to occur, if at all, in the three month period commencing with the date of the approval of this proposal by the stockholders of the Company.
4. To consider and vote upon any matters incidental to the foregoing purposes and any other matters which may properly come before the Meeting or any adjourned session thereof.

The Board of Directors has fixed the close of business on July 28, 2008 as the record date for determining the stockholders entitled to notice of, and to vote at, the Meeting.

By Order of the Board of Directors:

Richard T. Schumacher
Clerk
South Easton, Massachusetts

August 11, 2008

YOUR VOTE IS IMPORTANT

You are urged to sign, date, and promptly return the accompanying form of proxy, so that, if you are unable to attend the Meeting, your shares can still be voted. However, your proxy may be revoked at any time prior to exercise by filing with the Clerk of the Company a written revocation, by executing a proxy with a later date, or by attending and voting in person at the Meeting.

PRESSURE BIOSCIENCES, INC.

**PROXY STATEMENT
FOR THE SPECIAL MEETING IN LIEU OF
THE ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON SEPTEMBER 12, 2008**

General

This proxy statement is being furnished in connection with the solicitation of proxies by the Board of Directors of Pressure BioSciences, Inc., a Massachusetts corporation, with its principal executive offices located at 14 Norfolk Avenue, South Easton, MA 02375, for use at the Special Meeting in Lieu of the Annual Meeting of Stockholders to be held on September 12, 2008 at 4:00 PM and at any adjournments or postponements thereof (the "Meeting") for the purposes set forth herein and in the accompanying Notice of Special Meeting in Lieu of Annual Meeting of Stockholders. In this proxy statement we refer to Pressure BioSciences, Inc. as "PBI," "the Company," "we," or "us."

The enclosed proxy relating to the Meeting is solicited on behalf of the Company's Board of Directors (the "Board of Directors") and the cost of such solicitation will be borne by the Company. Certain of the Company's officers and regular employees may solicit proxies by correspondence, telephone, or in person, without extra compensation. We will also pay to banks, brokers, nominees, and certain other fiduciaries their reasonable expenses incurred in forwarding proxy material to the beneficial owners of securities held by them. It is expected that this proxy statement, the accompanying notice of Meeting, proxy card, and annual report to stockholders will be mailed to stockholders on or about August 11, 2008.

Record Date, Quorum, Required Votes and Method of Tabulation

Only stockholders of record at the close of business on July 28, 2008 will be entitled to receive notice of, and to vote at, the Meeting. As of June 30, 2008, there were issued and outstanding 2,195,283 shares of common stock, \$.01 par value, of the Company (the "Common Stock"), all of which are entitled to vote. Each such stockholder is entitled to one vote for each share of Common Stock so held and may vote such shares either in person or by proxy.

A quorum, consisting of the holders of a majority of the shares of Common Stock issued, outstanding, and entitled to vote at the Meeting, will be required to be present in person or by proxy for the transaction of business at the Meeting.

The affirmative vote of the holders of a plurality of the votes cast by stockholders present in person or represented by proxy at the Meeting and entitled to vote thereon is required to elect the nominee as a Class III Director of the Company. The affirmative vote of a majority of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Meeting is required to approve Proposal No. 2 relating to the amendment to the Company's 2005 Equity Incentive Plan and Proposal No. 3 relating to the authorization for the Company to issue up to 4,500,000 shares of Common Stock in one or more capital raising transactions, each as described more fully in this proxy statement.

The votes of stockholders present in person or represented by proxy at the Meeting will be tabulated by an inspector of elections appointed by the Company. The inspector of elections will treat abstentions as shares of Common Stock that are present and entitled to vote for purposes of determining a quorum. Abstentions will have no effect on the outcome of the vote for the election of the Class III Director, but will have the effect of being cast against the proposal to amend the Company's 2005 Equity Incentive Plan and the proposal to authorize the Company to issue up to 4,500,000 shares of Common Stock in one or more capital raising transactions, even though the stockholder so abstaining may intend a different interpretation. Shares of Common Stock held of record by brokers who do not return a signed and dated proxy will not be considered present at the Meeting, will not be counted towards a quorum, and will not be voted on any of the proposals. Shares of Common Stock held of record by brokers who return a dated and signed proxy but who fail to vote on any of the proposals will count toward the quorum, but will have no effect on any proposal not voted.

The enclosed proxy, if executed and returned, will be voted as directed on the proxy or, in the absence of such direction, the shares will be voted FOR the election of the nominee as a Class III Director as described herein under "Proposal No. 1 - Election of Directors," FOR approval of the amendment to the Company's 2005 Equity Incentive Plan to increase the number of shares of Common Stock available for issuance under the plan from 1,000,000 to 1,500,000 as described herein under "Proposal No. 2 - Amendment to the Pressure BioSciences, Inc. 2005 Equity Incentive Plan," and FOR approval of the authorization for the Company to issue, in connection with one or more capital raising transactions to finance the Company, up to 4,500,000 shares of Common Stock (including pursuant to preferred stock, options, warrants, convertible debt or other securities exercisable for or convertible into common stock), upon such terms as the Board of Directors shall deem to be in the best interests of the Company, for an aggregate consideration of not more than \$18,000,000 and at an effective price not less than 80% of the market price of the Company's Common Stock at the time of issuance, such issuance or issuances to occur, if at all, in the three month period commencing with the date of the approval of this proposal by the stockholders of the Company as described herein under "Proposal No. 3 - Authorization of Capital Raising Transactions". If any other matters shall properly come before the Meeting, the authorized proxy will be voted by the proxies in accordance with their best judgment.

Any stockholder signing and delivering a proxy may revoke it at any time prior to exercise by filing with the Clerk of the Company a written notice of revocation bearing a later date than the proxy, by executing a proxy with a later date, or by attending and voting in person at the Meeting. Record holders should send any written notice of revocation or subsequent dated proxy to the Company's Clerk at 14 Norfolk Avenue, South Easton, MA 02375, or hand deliver the notice of revocation or subsequent dated proxy to the Company's Clerk before the vote at the Meeting.

PROPOSAL NO. 1
ELECTION OF DIRECTORS

At the Meeting, one Class III Director is to be elected to serve until the 2011 Annual Meeting of Stockholders and until a successor has been duly elected and qualified. The Board of Directors, upon the recommendation of the Nominating Committee, has nominated Richard T. Schumacher for election as a Class III Director. Mr. Schumacher is currently a director of the Company and has not been nominated pursuant to any arrangement or understanding with any person.

The Company's Restated Articles of Organization, as amended (the "Articles"), and Amended and Restated Bylaws, as amended (the "Bylaws"), provide that the Board of Directors shall be divided into three classes. At each Annual Meeting of Stockholders, the directors elected to succeed those whose terms expire are identified as being in the same class as the directors they succeed and are elected to hold office for a term to expire at the third Annual Meeting of Stockholders after their election, and until their respective successors are duly elected and qualified, unless an adjustment in the term to which an individual director shall be elected is made because of a change in the number of directors.

The Articles and Bylaws do not require the stockholders to elect any directors in a class the term of office of which extends beyond the Meeting. The term of office of Mr. Schumacher, the Company's Class III Director, expires at the Meeting. The terms of office of the Class I Directors and Class II Directors, comprised of R. Wayne Fritzsche, Dr. Calvin A. Saravis, J. Donald Payne and P. Thomas Vogel, continue after the Meeting.

At the Meeting, it is the intention of the persons named as proxies to vote for the election of Mr. Schumacher as a Class III Director. In the unanticipated event that Mr. Schumacher should be unable to serve, the persons named as proxies will vote the proxy for such substitute, if any, as the present Board of Directors may designate or the present Board of Directors may reduce the number of directors.

Vote Required to Elect the Nominee as Director

The affirmative vote of the holders of a plurality of the votes cast by stockholders present in person or represented by proxy at the Meeting and entitled to vote thereon is required for the election of Richard T. Schumacher as a Class III Director of the Company.

The Board of Directors recommends that stockholders vote FOR the election of Richard T. Schumacher as a Class III Director of the Company.

Information on Nominee and Other Directors

The following table sets forth certain information as of the date of this proxy statement about the nominee and each of the directors whose term extends beyond the Meeting, including the year in which the nominee's term would expire, if elected.

Name	Age	Position	Director Since	Year Term Expires, if Elected, and Class
R. Wayne Fritzsche (1)	59	Chairman of the Board	2003	2009 Class I
Calvin A. Saravis, Ph.D. (2)	78	Director	1986	2009 Class I
J. Donald Payne(1)	52	Director	2003	2010 Class II
P. Thomas Vogel(1)	68	Director	2004	2010 Class II
Richard T. Schumacher*	57	Director, President, Chief Executive Officer, Treasurer, and Clerk	1978	2008 Class III

*Nominee for Class III Director.

(1) Member of the Audit Committee, Compensation Committee, and Nominating Committee

(2) Member of the Compensation Committee, Nominating Committee, and Chairman of the Scientific Advisory Board

Mr. R. Wayne Fritzsche has served as a director and Chairman of the Board of Directors of the Company since October 2, 2003. Mr. Fritzsche has served as a member of the Company's Scientific Advisory Board since 1999. Mr. Fritzsche is the founder of Fritzsche & Associates, Inc., a consulting firm which provides strategic, financial, and scientific consulting to medical companies in the life sciences and healthcare industries, and has served as its President since 1991. Since 2003, Mr. Fritzsche has also served as interim President of Chemokine Pharmaceutical Company, Inc. (formerly PGBP Pharmaceuticals), a small molecule discovery company. Since 2001, Mr. Fritzsche has served as a board member of Opexa Pharmaceuticals, a multiple sclerosis and cell immunology therapy company, and Vascular Sciences, Inc., an extracorporeal, macular degeneration company. He also previously served as a board member of Intelligent Medical Imaging, an automated microscopic imaging company, from 1994 to 1997, Clarion Pharmaceuticals, a drug development company, from 1994 to 1996, Nobex Pharmaceuticals, a drug delivery firm, from 1996 to 2001, Cardio Command, Inc., a transesophageal cardiac monitoring and pacing firm, from 1999 to 2001, and Hesus BioMed, an antisense oligonucleotide and catalytic antibody company, from 2000 to 2002. Mr. Fritzsche holds a BA from Rowan University, and an MBA from the University of San Diego.

Dr. Calvin A. Saravis has served as a director of the Company since 1986. Dr. Saravis has also served as Chairman of the Company's Scientific Advisory Board since 2003. From 1984 to 1998 he was an Associate Professor of Surgery (Biochemistry) at Harvard Medical School (presently emeritus) and from 1983 to 1999; he was an Associate Research Professor of Pathology at Boston University School of Medicine (presently emeritus). From 1971 to 1997, Dr. Saravis was a Senior Research Associate at the Mallory Institute of Pathology and from 1979 to 1997 he was a Senior Research Associate at the Cancer Research Institute-New England Deaconess Hospital. Dr. Saravis received his Ph.D. in immunology and serology from Rutgers University.

Mr. J. Donald Payne has served as a director of the Company since December 30, 2003. Mr. Payne has served as President and a Director of Nanospectra Biosciences, Inc., a privately-held medical device company developing products for cancer since 2001. Prior to that, Mr. Payne held various executive positions in finance and administration of public and private life science companies since 1992, served as a financial executive in the energy industry from 1980 through 1990, and was in public accounting from 1976 to 1980. Mr. Payne received an MBA from Rice University in 1992 and a BBA from Texas A&M University in 1976. He is a Certified Public Accountant in Texas, and a member of the AICPA and Financial Executives Institute.

Mr. P. Thomas Vogel has served as a director of the Company since January 9, 2004. Since 2006 Mr. Vogel has served as the President of Vogel Associates, a consulting company, and a Principal of Franchise Finders, LLC, a franchise consulting company. From April 2002 until December 2005, Mr. Vogel served as the President and Chief Executive Officer of AdipoGenix, Inc, an early-stage drug discovery company focused on obesity and metabolic diseases. From 2000 to 2002, Mr. Vogel served as President and Chief Executive Officer of Arradial, Inc., an early stage biopharmaceutical company. From 1996 to 2000, Mr. Vogel was Chief Executive Officer and Director of Mosaic Technologies, Inc., an early-stage molecular biology company. From 1992 to 1995, Mr. Vogel was President of Fisher Scientific Company, a \$1 billion laboratory supply distribution business. Mr. Vogel served as President of PB Diagnostics from 1991 to 1992, as President of Instrumentation Laboratory from 1990 to 1991, and as President of Serono Diagnostics from 1988 to 1990. Mr. Vogel was in the venture capital arena from 1982 to 1987. Prior to that, from 1974 to 1982, Mr. Vogel worked in the Diagnostics Division of Abbott Laboratories, Inc., where he served as Divisional Vice President and General Manager of Diagnostic Products. Mr. Vogel graduated from the Georgia Institute of Technology with a Bachelor's Degree in Electrical Engineering and from The Wharton Business School with a Master's Degree in Business Administration.

Mr. Richard T. Schumacher, the founder of the Company, has served as a director of the Company since 1978. He has served as the Company's Chief Executive Officer since April 16, 2004 and President since September 14, 2004. He previously served as Chief Executive Officer and Chairman of the Board of the Company from 1992 to February 2003. From July 9, 2003 until April 14, 2004 he served as a consultant to the Company pursuant to a consulting agreement. He served as President of the Company from 1986 to August 1999. Mr. Schumacher served as the Director of Infectious Disease Services for Clinical Sciences Laboratory, a New England-based medical reference laboratory, from 1986 to 1988. From 1972 to 1985, Mr. Schumacher was employed by the Center for Blood Research, a nonprofit medical research institute associated with Harvard Medical School. Mr. Schumacher received a B.S. in Zoology from the University of New Hampshire.

Corporate Governance

Board of Directors and Committee Meetings; Annual Meeting Attendance. The Board of Directors held eighteen (18) meetings during the year ended December 31, 2007. Each director attended at least 75% of all meetings of the Board of Directors and each committee of the Board of Directors on which they served. All of the Company's directors are encouraged to attend the Company's annual meetings of Stockholders. All five (5) of the Company's directors were in attendance at the Company's 2007 Special Meeting in Lieu of the Annual Meeting of Stockholders.

Board Independence. The Board of Directors has reviewed the qualifications of each of Messrs. Fritzsche, Payne, Vogel and Dr. Saravis, constituting more than a majority of the Company's directors, and has affirmatively determined that each individual is "independent" as such term is defined under the current listing standards of the NASDAQ Stock Market. The Board of Directors has determined that none of these directors has a material relationship with the Company that would interfere with the exercise of independent judgment. In addition, each member of the Audit Committee is independent as required under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Stockholder Communications. Any stockholder wishing to communicate with any of the Company's directors regarding the Company may write to the director, c/o Clerk, Pressure BioSciences, Inc., 14 Norfolk Avenue, South Easton, MA 02375. The Clerk will forward these communications directly to the director(s).

Code of Ethics. Pursuant to Section 406 of the Sarbanes-Oxley Act of 2002, the Company has adopted a Code of Ethics for Senior Financial Officers that applies to the Company's principal executive officer, principal financial officer, principal accounting officer, controller, and other persons performing similar functions. A copy of the code of ethics is posted on, and may be obtained free of charge from the Company's website at www.pressurebiosciences.com. If the Company makes any amendments to this Code of Ethics or grants any waiver, including any implicit waiver, from a provision of this Code of Ethics to the Company's principal executive officer, principal financial officer, principal accounting officer, controller, or other persons performing similar functions, the Company will disclose the nature of such amendment or waiver, the name of the person to whom the waiver was granted and the date of waiver in a Current Report on Form 8-K.

Board Committees

Standing committees of the Board of Directors include an Audit Committee, a Compensation Committee, and a Nominating Committee.

Audit Committee. Messrs. Fritzsche, Payne, and Vogel are currently the members of the Audit Committee. The Board of Directors has determined that Mr. Payne qualifies as an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K.

The Audit Committee operates pursuant to a written charter (the "Audit Committee Charter"), a current copy of which is publicly available on the investor relations portion of the Company's website at www.pressurebiosciences.com. Under the provisions of the Audit Committee Charter, the primary functions of the Audit Committee are to assist the Board of Directors with the oversight of (i) the Company's financial reporting process, accounting functions, and internal controls, and (ii) the qualifications, independence, appointment, retention, compensation, and performance of the Company's independent public accounting firm. The Audit Committee is also responsible for the establishment of "whistle-blowing" procedures, and the oversight of other compliance matters. The Audit Committee held five (5) meetings during fiscal 2007. See "Audit Committee Report" below.

Compensation Committee.

General

Messrs. Fritzsche, Payne, and Vogel and Dr. Saravis are currently the members of the Compensation Committee. The Compensation Committee operates pursuant to a written charter, a current copy of which is publicly available on the investor relations portion of the Company's website at www.pressurebiosciences.com. The primary functions of the Compensation Committee include (i) reviewing and approving our executive compensation, (ii) reviewing the recommendations of the President and Chief Executive Officer regarding the compensation of our executive officers, (iii) evaluating the performance of the Chief Executive Officer, (iv) overseeing the administration and approval of grants of stock options and other equity awards under our equity incentive plans, and (v) recommending compensation for our Board of Directors and each committee thereof for review and approval by the Board of Directors. The Compensation Committee held one (1) meeting during fiscal 2007.

Compensation Objectives

In light of the early stage of commercialization of our products, we recognize the importance of attracting and retaining key employees with sufficient experience, skills, and qualifications in areas vital to our success, such as operations, finance, sales and marketing, research and development and engineering, and individuals who are committed to our short- and long-term goals. The Compensation Committee has designed our executive compensation programs with the intent of attracting, motivating, and retaining experienced executives and rewarding them for their contributions by offering them a competitive base salary, annual cash incentive bonuses, and long-term equity-based incentives, typically in the form of stock options. The Compensation Committee strives to balance the need to retain key employees with financial prudence given our history of operating losses and the early stage of our commercialization.

Executive Officers and Director Compensation Process

The Compensation Committee considers and determines executive compensation according to an annual and semi-annual objective setting and measurement cycle. Specifically, corporate goals for the year are initially developed by our executive officers and are then presented to the Board of Directors and Compensation Committee for review and approval. Individual goals are intended to focus on contributions that facilitate the achievement of the corporate goals. Individual goals are first proposed by each executive officer, other than the President and Chief Executive Officer, then discussed by the entire senior executive management team and ultimately compiled and prepared for submission to the Board of Directors and the Compensation Committee, by the President and Chief Executive Officer. The Compensation Committee sets and approves the goals for the President and Chief Executive Officer. Generally, corporate and individual goals are set during the first quarter of each calendar year. The objective setting process is coordinated with our annual financial planning and budgeting process so our Board of Directors and Compensation Committee can consider overall corporate and individual objectives in the context of budget constraints and cost control considerations. Annual salary increases, bonuses, and equity awards, such as stock option grants, if any, are tied to the achievement of these corporate and individual performance goals as well as our financial position and prospects.

Under the annual performance review program, the Compensation Committee evaluates individual performance against the goals for the recently completed year. The Compensation Committee's evaluation generally occurs in the first quarter of the following year. The evaluation of each executive (other than the President and Chief Executive Officer) begins with a written self-assessment submitted by the executive to the President and Chief Executive Officer. The President and Chief Executive Officer then prepares a written evaluation based on the executive's self-assessment, the President and Chief Executive Officer's evaluation, and input from others within the Company. This process leads to a recommendation by the President and Chief Executive Officer for a salary increase, bonus, and equity award, if any, which is then considered by the Compensation Committee. In the case of the President and Chief Executive Officer, the Compensation Committee conducts his performance evaluation and determines his compensation, including salary increase, bonus, and equity awards, if any. We generally expect, but are not required, to implement salary increases, bonuses, and equity awards, for all executive officers, if and to the extent granted, by April 1st of each year.

Non-employee director compensation is set by our Board of Directors upon the recommendation of the Compensation Committee. In developing its recommendations, the Compensation Committee is guided by the following goals: compensation should be fair relative to the required services for directors of comparable companies in our industry and at our company's stage of development; compensation should align directors' interests with the long-term interest of stockholders; the structure of the compensation should be simple, transparent, and easy for stockholders to understand; and compensation should be consistent with the financial resources, prospects, and competitive outlook for the Company.

In evaluating executive officer and director compensation, the Compensation Committee considers the practices of companies of similar size, geographic location, and market focus. In order to develop reasonable benchmark data the Compensation Committee has referred to publicly available sources such as Salary.com and the BioWorld Survey. While the Compensation Committee does not believe benchmarking is appropriate as a stand-alone tool for setting compensation due to the unique aspects of our business objectives and current stage of development, the Compensation Committee generally believes that gathering this compensation information is an important part of its compensation-related decision making process.

The Compensation Committee has the authority to hire and fire advisors and compensation consultants as needed and approve their fees. No advisors or compensation consultants were hired or fired in fiscal 2007.

The Compensation Committee is also authorized to delegate any of its responsibilities to subcommittees or individuals as it deems appropriate. The Compensation Committee did not delegate any of its responsibilities in fiscal 2007.

In February 2008, our Board of Directors met with senior management and discussed the 2007 business and financial results and reviewed the proposed objectives for 2008. The Board of Directors and the Compensation Committee also reviewed the proposed 2008 budget and operating plan and determined that discussions of salaries, bonuses and equity awards should be deferred until the second half of 2008. Considering this, the Compensation Committee recommended, and the Board of Directors approved the following actions to be taken:

- Implement a 4% cost of living increase for all employees hired prior to December 31, 2007, except for Mr. Schumacher, and for our regional sales directors, effective immediately.
- Grant each non-employee member of the Board of Directors non-qualified stock options to purchase 10,000 shares of our common stock, effective on April 15, 2008.

Nominating Committee. Messrs. Fritzsche, Payne, Vogel and Dr. Saravis are currently the members of the Company's Nominating Committee. The Nominating Committee operates pursuant to a written charter, a current copy of which is publicly available on the investor relations portion of the Company's website at www.pressurebiosciences.com. The Nominating Committee held one (1) meeting during fiscal year 2007.

The primary functions of the Nominating Committee are to (i) identify, review, and evaluate candidates to serve as directors of the Company, (ii) make recommendations of candidates to the Board of Directors for all directorships to be filled by the stockholders or the Board of Directors and (iii) serve as a focal point for communication between such candidates, the Board of Directors, and management.

The Nominating Committee may consider candidates recommended by stockholders as well as from other sources such as other directors or officers, third party search firms, or other appropriate sources. For all potential candidates, the Nominating Committee may consider all factors it deems relevant, such as a candidate's personal integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, the extent to which the candidate would fill a present need on the Board of Directors, and concern for the long-term interests of the stockholders. In general, persons recommended by stockholders will be considered on the same basis as candidates from other sources. If a stockholder wishes to recommend a candidate for director for election at the 2009 Annual Meeting of Stockholders, it must follow the procedures described below under "Stockholder Proposals."

Audit Committee Report

The Audit Committee has reviewed and discussed the Company's audited financial statements for the year ended December 31, 2007 with management of the Company. The Audit Committee also discussed with UHY LLP ("UHY"), the Company's independent registered public accounting firm, the matters required to be discussed by the Auditing Standards Board Statement on Auditing Standards No. 61, as amended. As required by Independence Standards Board Standard No. 1, as amended, "Independence Discussion with Audit Committees," the Audit Committee has received and reviewed the required written disclosures and a confirming letter from UHY regarding their independence, and has discussed the matter with UHY.

Based upon its review and discussions of the foregoing, the Audit Committee recommended to the Board of Directors that the Company's audited financial statements for the year ended December 31, 2007 be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

Audit Committee:

R. Wayne Fritzsche
J. Donald Payne
P. Thomas Vogel

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has appointed UHY, an independent registered public accounting firm, to audit the Company's consolidated financial statements for the fiscal year ending December 31, 2008. UHY has served as the Company's independent registered public accounting firm since September 14, 2006. A representative of UHY will be available during the Meeting to make a statement if such representative desires to do so and to respond to questions.

Change in Independent Registered Public Accounting Firm

On September 14, 2006 the Audit Committee terminated the appointment of Weinberg & Co., P.A. ("Weinberg"), as the Company's independent registered public accounting firm. Weinberg had served as the Company's independent registered public accounting firm since October 2003.

Weinberg's reports on the Company's consolidated financial statements for the fiscal years ended December 31, 2004 and 2005 did not contain any adverse opinion or a disclaimer of opinion, nor were the reports qualified or modified as to uncertainty, audit scope or accounting principle. During the Company's fiscal years ended December 31, 2004 and 2005 and through September 14, 2006, there were no disagreements with Weinberg on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of Weinberg, would have caused it to make reference thereto in its reports on the Company's financial statements for such years. During the Company's fiscal years ended December 31, 2004 and 2005 and through September 14, 2006, there were no reportable events as described in Item 304(a)(1)(iv) of Regulation S-B.

On September 14, 2006 the Audit Committee of the Board of Directors of the Company engaged UHY to serve as the Company's independent registered public accounting firm. During the fiscal years ended December 31, 2004 and 2005 and through September 14, 2006, neither the Company nor anyone on its behalf consulted with UHY with respect to any matters or events, including any matters or events set forth and described in Items 304(a)(2)(i) and (ii) of Regulation S-B.

UHY acts as the Company's principal independent registered public accounting firm. Through December 31, 2006, UHY had a continuing relationship with UHY Advisors, Inc. ("Advisors") from which it leased auditing staff who were full time, permanent employees of Advisors and through which UHY's partners provide non-audit services. UHY has no full time employees and therefore, no audit services performed were provided by permanent full-time employees of UHY. UHY manages and supervises the audit services and audit staff, and is exclusively responsible for the opinion rendered in connection with its examination.

Independent Registered Public Accounting Fees

The following is a summary of the fees billed to the Company by UHY, the Company's principal accountant, for the fiscal years ended December 31, 2007 and December 31, 2006, respectively:

	Fiscal 2007 Fees (\$)	Fiscal 2006 Fees (\$)
Audit Fees	\$ 105,691	\$ 155,162
Audit-Related Fees	24,791	-
	\$ 130,482	\$ 155,162

Audit Fees. Consists of aggregate fees billed for professional services rendered for the audit of the Company's consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports, as well as services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

Audit-Related Fees. Consists of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." Fees billed by UHY for 2007 were fees associated with consents delivered in connection with the Company's Registration Statement on Form S-3 and certain agreed upon procedures with respect to Source Scientific, LLC.

There were no other fees for services rendered by UHY other than those described above.

Audit Committee Policy on Pre-Approval of Services

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm. These services may include audit services, audit-related services, tax services, and other services. Pre-approval is generally provided for up to one year. The Audit Committee may also pre-approve particular services on a case-by-case basis.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
AND MANAGEMENT**

The following table sets forth certain information as of June 30, 2008 concerning the beneficial ownership of Common Stock for: (i) each director and director nominee, (ii) each Named Executive Officer in the Summary Compensation Table under “Executive Compensation” below, (iii) all executive officers and directors as a group, and (iv) each person (including any “group” as that term is used in Section 13(d)(3) of the Exchange Act) known by the Company to be the beneficial owner of 5% or more of the Company's Common Stock.

Beneficial ownership has been determined in accordance with the rules of the Securities and Exchange Commission (“SEC”). Except as indicated by the footnotes below, the Company believes, based on the information furnished to it, that the persons and entities named in the table below have sole voting and investment power with respect to all shares of Common Stock that they beneficially own.

Name	Number of Shares of Common Stock Beneficially Owned (1)	Percent of Class
Lloyd I. Miller, III (2)* 4550 Gordon Drive Naples, FL 34102	157,686	7.2%
Richard T, Schumacher (3)*		